State of Rhode Island and Providence Plantations

Donald L. Carcieri, Governor

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2008

Prepared By:

Department of Administration

Gary S. Sasse, Director of Administration

Office of Accounts and Control

Marc A. Leonetti, State Controller

State of Rhode Island and Providence Plantations
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

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INTRODUCTORY SECTION

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF ADMINISTRATION

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April 9, 2009

The Honorable Donald L. Carcieri, Governor
State of Rhode Island
State House
Providence, Rhode Island 02903

Dear Governor Carcieri:

In accordance with Section 35-6-1 of the General Laws, we are pleased to submit to you the Comprehensive Annual Financial Report of the State of Rhode Island and Providence Plantations for the fiscal year ended June 30, 2008. This report was prepared by the State's Department of Administration - Office of Accounts and Control. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation rests with management. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of the government-wide and fund perspective financial statements; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This report has been prepared in accordance with generally accepted accounting principles for governments as promulgated by the Governmental Accounting Standards Board. It is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, the organization chart, and a list of officials of State government. The Financial Section includes the Independent Auditor's Report, the basic financial statements, required supplementary information and the combining and individual fund financial statements. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Accounting System and Budgetary Control

Management of the State is responsible for establishing and maintaining an internal control structure designed to provide reasonable, but not absolute, assurance that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that (1) the cost of a control should

not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. Therefore, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Managers in all branches and components of government are required to maintain comprehensive internal control systems, to regularly evaluate the effectiveness and adequacy of these systems by internal reviews, and to submit an annual report on these internal controls to the Governor in accordance with the 1986 Financial Integrity and Accountability Act.

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly, contains a complete plan of estimated revenues (general, federal and restricted), transfers in (general and restricted) and proposed expenditures.

The legal level of budgetary control, i.e. the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch. Federal grant appropriations may also be limited by the availability of matching funds and may also require special approval from a federal agency before reallocating resources among programs.

Internal administrative and accounting budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. Management cannot reduce the budget without special approval.

Unexpended general revenue appropriations lapse at the end of the fiscal year, unless the department/agency directors identify unspent appropriations related to specific projects/purchases and request a reappropriation. If the requests are approved by the Governor, such amounts are reappropriated for the ensuing fiscal year and made immediately available for the same purposes as the former appropriations. Unexpended appropriations of the General Assembly and its legislative commissions and agencies may be reappropriated by the Joint Committee on Legislative Services. Unexpended appropriations of the courts may be reappropriated upon request by the Chief Justice. If the sum total of general revenue expenditures for all departments and agencies exceeds the total general revenue appropriations, it is the policy of management to lapse all unexpended appropriations, except those of the legislative and judicial branches.

The original budget includes the amounts in the applicable appropriation act, general revenue appropriations carried forward by the Governor, and any unexpended balances designated by the General Assembly.

The Budgetary Comparison Schedules are presented as Required Supplementary Information (RSI) in this report.

In addition, a State Budget Reserve Account is maintained within the General Fund. Annually, two percent of general revenues and opening surplus are set aside in this reserve account.

Amounts in excess of three percent of the total general revenues and opening surplus are transferred to the RI capital plan fund to be used for capital projects. The reserve or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year, such appropriations to be approved by a majority of each chamber of the General Assembly.

Reporting Entity and Its Services

The funds and component units included in this report are those for which the State is accountable, based on criteria for defining the reporting entity prescribed in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on the organization or (2) the potential for the organization to provide specific financial benefits or impose specific financial burdens on the State. More information about the State reporting entity can be found in Note 1 to the basic financial statements.

The State provides a full range of services contemplated by statute or function. These include education, health and social services, transportation, public safety, recreation, public improvements, and comprehensive support.

General Fund

The General Fund accounts for the financing of the principal operations of State government and most jointly financed state-federal programs.

Cash Management

The General Treasurer is responsible for the deposit of cash receipts and for the payment of sums, as may be required and upon due authorization from the State Controller. Major emphasis is placed by the General Treasurer on cash management in order to insure that there is adequate cash on hand to meet the obligations of the State as they arise.

The General Treasurer is also responsible for the investment of certain funds and accounts of the State on a day-to-day basis. In addition, the General Treasurer is the custodian of certain other funds and accounts and, in conjunction with the State Investment Commission, invests the amounts on deposit in such funds and accounts. The General Treasurer submits an annual report to the General Assembly on the performance of the State's investments.

Audit

The general-purpose financial statements of the State have been audited by the Auditor General as required by Section 35-7-10 of the General Laws. The Independent Auditor's Report is included in the Financial Section of this report.

Governor Donald L. Carcieri
April 9, 2009

Acknowledgements

We wish to express our sincere appreciation to the many individuals who assisted and contributed to the preparation of this report. It could not have been accomplished without the professionalism and dedication demonstrated by the entire staff of the Office of Accounts and Control, the Treasury Department, the Office of the Auditor General, and numerous other State agencies. We also want to thank the Governor and members of the General Assembly for their interest and support in planning and conducting the financial operations of the State in a responsible and progressive manner.

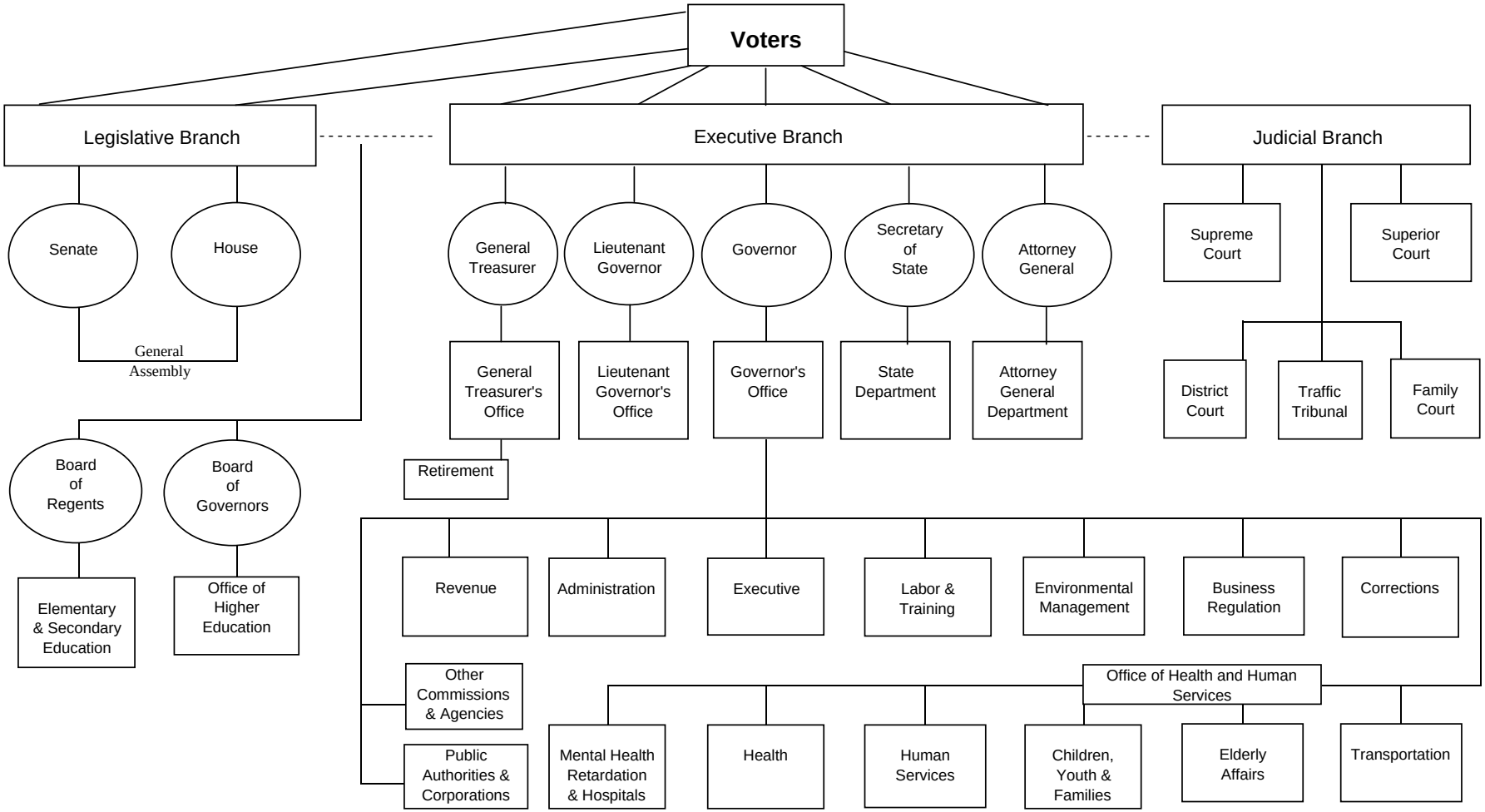
Respectfully submitted,

Gary S. Sasse
Director

Marc A. Leonetti
State Controller

Rhode Island State Government

Organization Chart



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

OFFICIALS OF STATE GOVERNMENT

EXECUTIVE BRANCH

Governor
Donald L. Carcieri

Lieutenant Governor
Elizabeth H. Roberts

Secretary of State
A. Ralph Mollis

General Treasurer
Frank T. Caprio

Attorney General
Patrick C. Lynch

LEGISLATIVE BRANCH

Senate
President of the Senate
M. Teresa Paiva-Weed

House of Representatives
Speaker of the House
William J. Murphy

JUDICIAL BRANCH

Acting Chief Justice of the Supreme Court
Maureen McKenna Goldberg

FINANCIAL SECTION

STATE of RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

ERNEST A. ALMONTE, CPA, CFF
AUDITOR GENERAL
ernest.almonte@oag.ri.gov

- *INTEGRITY*
- *RELIABILITY*
- *INDEPENDENCE*
- *ACCOUNTABILITY*

INDEPENDENT AUDITOR'S REPORT

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly,
State of Rhode Island and Providence Plantations:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- certain component units which represent 2% of the assets and 1% of the revenues of the governmental activities and 1% of the assets and 9% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which also represents 55% of the assets and 1% of the revenues of the business-type activities; and
- component units which represent 100% of the assets and 100% of the revenues of the aggregate discretely presented component units.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, are based on the reports of the other auditors.

CPA America counts on

86 WEYBOSSET STREET ♦ PROVIDENCE, RHODE ISLAND 02903-2800 ♦ www.oag.ri.gov ♦ TEL 401.222.2435 ♦ FAX 401.222.2111

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in notes 1, 13 and 14, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and GASB Statement No. 50 *Pension Disclosures* as of July 1, 2007.

As disclosed in note 18D, the General Fund ended fiscal 2008 with an operating deficit of $42.9 million resulting from a deficiency of general revenue compared to general revenue expenditures.

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. The report on internal control and compliance will be included in the State's *Single Audit Report*.

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

The Management's Discussion and Analysis, on pages 10 through 24, the Budgetary Comparison Schedules on pages 117 through 134, and the Schedules of Funding Progress on pages 135 through 137 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining and individual non-major fund financial statements, combining financial statements for discretely presented component units, and statistical section as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and combining financial statements for discretely presented component units have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Ernest A. Almonte, CPA, CFF
Auditor General

April 9, 2009

MANAGEMENT'S DISCUSSION

AND ANALYSIS

Management's Discussion and Analysis

The following is a discussion and analysis of the financial activities of the State of Rhode Island and Providence Plantations (the State) for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented here in conjunction with the letter of transmittal, which can be found at the front of this report, and with the State's financial statements, which follow this section.

Financial Highlights – Primary Government

Government-wide Financial Statements

- **Net Assets:** The total assets of the State exceeded total liabilities at June 30, 2008 by $952.1 million. This amount is presented as "net assets" on the Statement of Net Assets for the Total Primary Government. Of this amount, ($1,433.6) million was reported as unrestricted net assets, $626.5 million was restricted net assets, and $1,759.2 million was invested in capital assets, net of related debt.
- **Changes in Net Assets:** In the Statement of Activities the State's total net assets decreased by $199.2 million in fiscal year 2008. Net assets of governmental activities decreased by $153.5 million, while net assets of the business-type activities decreased by $45.7 million.

Fund Financial Statements

- The State's governmental funds reported a combined ending fund balance of $685.2 million, a decrease of $236.3 million in comparison with the previous fiscal year.
- The General Fund ended the current fiscal year with an unreserved, undesignated balance of ($43.0) million, a decrease of $43.0 million. The State Legislature opted to not transfer funds from the budget reserve to the undesignated balance to offset a budget deficit caused primarily by general revenue expenditures exceeding appropriations (see note 18D for significant variances). This has no effect on total fund balance.
 - ♦ The Budget Reserve Account ended the fiscal year with a balance of $102.9 million, an increase of $24.2 million in comparison with the previous fiscal year.
- The Intermodal Surface Transportation Fund ended the fiscal year with an unreserved fund balance of $7.6 million, which was an increase of $4.7 million from the previous year.
- The GARVEE Fund ended its fiscal year with a fund balance of $152.7 million a decrease of $67.3 million in comparison with the previous fiscal year, reflecting the use of bond proceeds for infrastructure capital assets. Of the fund balance, $13.6 million is reserved for debt.
- The Rhode Island State Lottery transferred $354.3 million to the General Fund in support of general revenue expenditures during the fiscal year, an increase of $33.3 million in comparison with the previous fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the State's finances. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's financial condition at the end of the year. These financial statements are prepared using the accrual basis of accounting, which recognizes all revenues and grants when earned, and expenses at the time the related liabilities are incurred.

- The **Statement of Net Assets** presents all of the government's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the government's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- The **Statement of Activities** presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods; for example, uncollected taxes and earned but unused vacation leave. This statement also presents a comparison between direct expenses and program revenues for each function of the government.

Both of the government-wide financial statements have separate sections for three different types of government activities:

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, human services, education, public safety, natural resources, and transportation. The net assets and change in net assets of the internal service funds are also included in this column.
- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority and the Employment Security Trust Fund.
- **Discretely Presented Component Units:** Component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the State government, and report the State's operations in more detail than the government-wide financial statements. The State's funds are divided into three categories: governmental, proprietary and fiduciary.

- **Governmental funds:** Most of the State's basic services are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year. Such information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs.

 Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities.

 Governmental funds include the general fund and special revenue, capital projects and permanent funds. The State has several governmental funds, of which GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* defines the general fund as a major fund. The criteria for determining if any of the other governmental funds are major funds are detailed in Note 1(D). The Intermodal Surface Transportation Fund and the GARVEE Fund are also major funds. Each of the major funds is presented in a separate column in the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section of the State's Comprehensive Annual Financial Report (CAFR).

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds; enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds, the Lottery Fund, Convention Center

Authority Fund (RICCA) and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State's CAFR.

- **Fiduciary funds:** These funds are used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension trust, private-purpose trust and agency funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found in the supplementary information section of the State's CAFR.

Major Features of the Basic Financial Statements

	Government-wide	Fund Financial Statements		
	Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	Activities of the State that are not proprietary or fiduciary	Activities of the State that are operated similar to private businesses	Instances in which the State is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of net assets Statement of changes in fund net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State's progress in funding its obligation to provide pension benefits to its employees. This section also includes a budgetary

comparison schedule for each of the State's major governmental funds that have a legally mandated budget.

Other Supplementary Information

Other supplementary information, which follows the required supplementary information in the State's CAFR, includes the combining financial statements for nonmajor governmental funds, grouped by fund type and presented in single columns in the basic financial statements, internal service funds, fiduciary funds, discretely presented component units and the statistical section.

Government-Wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled $952.1 million at the end of fiscal year 2008, compared to $1,151.3 million at the end of the prior fiscal year. The primary reason for the $199.2 million decrease was that prior year resources were used to fund some of the current year expenses. Governmental activities have unrestricted net assets of ($1,418.2) million.

A portion of the State's net assets reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets), less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources. An additional portion of the State's net assets represent resources that are subject to external restrictions on how they may be used.

State of Rhode Island's Net Assets as of June 30, 2008
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 1,413,844	$ 1,618,791	$ 223,419	$ 320,999	$ 1,637,263	$ 1,939,790
Capital assets	2,726,232	2,604,474	208,595	168,763	2,934,827	2,773,237
Total assets	4,140,076	4,223,265	432,014	489,762	4,572,090	4,713,027
Long-term liabilities outstanding	2,476,054	2,459,742	268,980	279,650	2,745,034	2,739,392
Other liabilities	834,561	780,606	40,353	41,768	874,914	822,374
Total liabilities	3,310,615	3,240,348	309,333	321,418	3,619,948	3,561,766
Net assets:						
Invested in capital assets, net of related debt	1,820,078	1,691,793	(60,902)	(109,435)	1,759,176	1,582,358
Restricted	427,588	373,788	198,928	294,395	626,516	668,183
Unrestricted	(1,418,205)	(1,082,664)	(15,345)	(16,616)	(1,433,550)	(1,099,280)
Total net assets	$ 829,461	$ 982,917	$ 122,681	$ 168,344	$ 952,142	$ 1,151,261

As indicated above, the State reported a balance in unrestricted net assets of ($1,433.6) million at June 30, 2008 in the Statement of Net Assets. This deficit results primarily from the State's use of general obligation bond proceeds (which are reported as debt of the primary government) for non-capital expenditures deemed to provide important benefits for the general public. In these instances, proceeds are transferred to municipalities, discretely presented component units, and non-profit organizations within the State to fund specific projects. Examples of these uses of general obligation bond proceeds include but are not limited to the following:

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges which are reflected in discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and insure that open space is preserved;
- Historical preservation initiatives designed to protect and preserve historical buildings as well as provide funding for cultural facilities and
- Capital improvements for privately-owned and operated group homes for developmentally disabled citizens of the State as well as children who are dependant on the State for care.

In the above instances, the primary government records a liability for the general obligation bonds but no related capitalized asset is recorded. A cumulative deficit in unrestricted net assets results from financing these types of projects through the years.

Changes in Net Assets

The State's net assets decreased by $199.2 million during the current fiscal year. Total revenues of $8,029.2 million were less than expenses of $8,228.4 million. Approximately 35.1% of the State's total revenue came from taxes, while 24.2% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 38.0% of the total revenues. The State's expenses covered a range of services. The largest expenses were for human services, 33.3% and education, 16.5%. In fiscal year 2008, governmental activity expenses exceeded program revenues, which resulted in the use of $3,016.8 million in general revenues (mostly taxes). On the other hand, net program revenues from business-type activities in fiscal year 2008 exceeded expenses by $261.4 million.

The cumulative effect of the prior period adjustment is fully explained in Note 18 Section C.

State of Rhode Island's Changes in Net Assets
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 449,812	$ 351,861	$ 2,601,083	$ 2,028,470	$ 3,050,895	$ 2,380,331
Operating grants and contributions	1,827,704	1,716,318	3,285	4,607	1,830,989	1,720,925
Capital grants and contributions	112,712	151,528			112,712	151,528
General revenues:						
Taxes	2,820,709	2,842,828			2,820,709	2,842,828
Interest and investment earnings	32,466	37,539	9,531	12,137	41,997	49,676
Miscellaneous	121,273	106,543	8,341	8,137	129,614	114,680
Gain on sale of capital assets	3,026				3,026	
Payments from component units	39,284	10,108			39,284	10,108
Total revenues	5,406,986	5,216,725	2,622,240	2,053,351	8,029,226	7,270,076
Program expenses:						
General government	894,766	858,729			894,766	858,729
Human services	2,736,956	2,519,745			2,736,956	2,519,745
Education	1,361,310	1,320,384			1,361,310	1,320,384
Public safety	428,351	391,354			428,351	391,354
Natural resources	90,087	91,758			90,087	91,758
Transportation	240,644	281,518			240,644	281,518
Interest	133,298	107,211			133,298	107,211
Lottery			2,042,722	1,487,239	2,042,722	1,487,239
Convention Center			41,007	42,859	41,007	42,859
Employment insurance			259,246	210,060	259,246	210,060
Total expenses	5,885,412	5,570,699	2,342,975	1,740,158	8,228,387	7,310,857
Change in net assets before transfers	(478,426)	(353,974)	279,265	313,193	(199,161)	(40,781)
Transfers	324,928	304,906	(324,928)	(304,906)		
Change in net assets	(153,498)	(49,068)	(45,663)	8,287	(199,161)	(40,781)
Net assets - Beginning	982,917	1,031,985	168,344	160,057	1,151,261	1,192,042
Cumulative effect of prior period adjustments	42				42	
Net assets - Beginning, as restated	982,959	1,031,985	168,344	160,057	1,151,303	1,192,042
Net assets - Ending	$ 829,461	$ 982,917	$ 122,681	$ 168,344	$ 952,142	$ 1,151,261

Financial Analysis of the State's Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the State's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of $685.2 million, a decrease of $236.3 million. Reserved fund balances are not available for new spending because they have already been committed as follows: (1) $102.9 million for a "rainy day" account, (2) $46.7 million for continuing appropriations, (3) $87.8 million principally for liquidating debt, (4) $136.1 million for employment insurance programs

and (5) $40.8 million for other restricted purposes. Approximately 45.8% or $313.8 million of the ending fund balance is designated by the State's management, consistent with the limitations of each fund.

The major governmental funds of the primary government are:

General Fund. The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance (deficit) of the General Fund was ($43.0) million, while total fund balance was $106.7 million.

Revenues and other sources of the General Fund totaled $5,354.0 million in fiscal year 2008, an increase of $297.6 million from the previous year. The revenues from various sources and the change from the previous year are shown in the following tabulation (amounts in thousands):

	2008	2007	Increase (decrease) from 2007 Amount	Percent
Taxes:				
Personal income	$ 1,073,617	$ 1,065,367	$ 8,250	0.77%
Sales and use	1,019,614	1,052,582	(32,968)	-3.13%
General business	374,800	360,949	13,851	3.84%
Other	48,370	50,343	(1,973)	-3.92%
Subtotal	2,516,401	2,529,241	(12,840)	-0.51%
Federal grants	1,740,283	1,629,715	110,568	6.78%
Restricted revenues	126,090	109,184	16,906	15.48%
Licenses, fines, sales, and services	322,864	242,560	80,304	33.11%
Other general revenues	41,200	35,337	5,863	16.59%
Subtotal	2,230,437	2,016,796	213,641	10.59%
Total revenues	4,746,838	4,546,037	200,801	4.42%
Other sources	607,153	490,969	116,184	23.66%
Transfer from budget reserve		19,423	(19,423)	-100.00%
Total revenue and other sources	$ 5,353,991	$ 5,056,429	$ 297,562	5.88%

Expenditures and other uses totaled $5,391.5 million in fiscal year 2008, an increase of $276.0 million (5.40%) from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (amounts in thousands):

	2008	2007	Increase (decrease) from 2007 Amount	Percent
General government	$ 626,052	$ 633,893	$ (7,841)	-1.24%
Human services	2,727,534	2,512,286	215,248	8.57%
Education	1,289,124	1,267,255	21,869	1.73%
Public safety	410,605	396,029	14,576	3.68%
Natural resources	72,982	81,518	(8,536)	-10.47%
Debt Service:				
Principal	92,077	79,954	12,123	15.16%
Interest	68,478	61,396	7,082	11.53%
Total expenditures	5,286,852	5,032,331	254,521	5.06%
Other uses	104,650	83,129	21,521	25.89%
Total expenditures and other uses	$ 5,391,502	$ 5,115,460	$ 276,042	5.40%

Intermodal Surface Transportation Fund. The Intermodal Surface Transportation Fund (ISTEA) is a special revenue fund that accounts for the collection of gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system. At the end of the fiscal year, unreserved fund balance of the ISTEA fund was $7.6 million, while the total fund balance was $48.4 million. Total fund balance of the ISTEA fund increased by $15.6 million during the current fiscal year. The primary reasons for the increase was the collection of approximately $7.9 million of the federal receivable that had not been previously recognized in the fund financial statements because it was a long-term receivable and approximately $4.7 million of unspent gas tax revenue.

GARVEE Fund. The GARVEE Fund is a capital projects fund that accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents per gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds. The GARVEE Fund ended the fiscal year with a fund balance of $152.7 million, a decrease of $67.3 million. The reason for this change was that it is a capital projects fund and current year expenditures were funded out of the prior year balance.

General Fund Budgetary Highlights

According to the State's Constitution, in FY2008 general revenue appropriations in the general fund cannot exceed 98% of available general revenue sources, which consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Beginning in FY2009, this will decrease by .2% a year until FY2013 when the spending cap will be 97%. The budgets for the components of the current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require State funds to match the federal funds. Agencies may get additional appropriations provided a need is established. Adjustments to general revenue receipt estimates resulted in a decrease of $36.9 million, -1.1%, between the original budget and the final budget. General revenue appropriations decreased from the original budget by $39.5 million, -1.2%.

Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations are listed below.

	Original Budget vs. Final Budget Change (In thousands)	Percent
General revenues		
Taxes		
Personal Income	$ (13,757)	-1.3%
Business Corporations	(10,707)	-6.4%
Public Utilities Gross Earnings	(12,000)	-11.0%
Insurance Companies	(5,334)	-7.7%
Sales and Use	(55,324)	-6.1%
Motor Vehicle	(5,035)	-10.0%
Cigarettes	5,600	5.0%
Inheritance and Gift	7,900	26.2%
Departmental Revenue	(5,370)	-1.5%
Other Miscellaneous	40,691	29.0%
Transfer from Lottery	17,100	5.0%
Other General Revenue	(663)	
Total Change in Estimated Revenue	$ (36,899)	-1.1%
General revenue appropriations		
Department		
Administration	$ 19,359	3.8%
Revenue	(3,410)	-8.8%
Children, Youth and Families	2,727	1.8%
Health	(3,318)	-9.6%
Human Services	(18,176)	-2.2%
Mental Health, Retardation and Hospitals	(9,262)	-3.8%
Elementary and Secondary Education	(2,960)	-0.3%
Board of Governors for Higher Education	(6,085)	-3.1%
Corrections	(3,403)	-1.8%
Judicial	(3,273)	-3.8%
Environmental Management	(2,200)	-6.0%
Other	(9,463)	
Total Change in Appropriations	$ (39,464)	-1.2%

The General Fund ended fiscal 2008 with an operating deficit of $42.9 million resulting from a deficiency of general revenue compared to general revenue expenditures. Actual general revenues were $7.1 million less than estimated revenues and actual general revenue expenditures were $35.8 million more than budgeted amounts. Expenditures in three departments exceeded appropriations from general revenues by a significant amount: the Department of Human Services by $22.8 million; the Department of Mental Health Retardation and Hospitals by $7.8 million; and the Department of Corrections by $8.6 million.

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to $2,934.8 million, net of accumulated depreciation of $1,641.4 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was about 5.8% in terms of net book value, primarily caused by construction in progress for construction and repair of roads and other infrastructure.

Actual expenditures to purchase or construct capital assets were $277.2 million for the year. Of this amount, $147.0 million was used to construct or reconstruct roads. Depreciation charges for the year totaled $115.9 million.

State of Rhode Island's Capital Assets as of June 30, 2008
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Capital assets not being depreciated						
Land	$ 341,907	$ 338,987	$ 45,558	$ 45,558	$ 387,465	$ 384,545
Works of Art	239	135			239	135
Intangibles	136,510	111,537			136,510	111,537
Construction in progress	777,066	597,005	1,568	25,142	778,634	622,147
Total capital assets not being depreciated	1,255,722	1,047,664	47,126	70,700	1,302,848	1,118,364
Capital assets being depreciated						
Land improvements	3,700	3,700			3,700	3,700
Buildings	517,249	520,733	163,303	161,266	680,552	681,999
Building improvements	208,342	208,342			208,342	208,342
Equipment	224,926	220,661	83,395	13,060	308,321	233,721
Intangibles	8,428	8,428			8,428	8,428
Infrastructure	2,064,005	2,052,745			2,064,005	2,052,745
	3,026,650	3,014,609	246,698	174,326	3,273,348	3,188,935
Less: Accumulated depreciation	1,556,140	1,457,799	85,228	76,263	1,641,368	1,534,062
Total capital assets being depreciated	1,470,510	1,556,810	161,470	98,063	1,631,980	1,654,873
Total capital assets (net)	$ 2,726,232	$ 2,604,474	$ 208,596	$ 168,763	$ 2,934,828	$ 2,773,237

Significant capital projects include relocation of a major segment of interstate highway as well as construction of new youth correctional facilities and a State Police headquarters.

Additional information on the State's capital assets can be found in the notes to the financial statements of this report.

Debt Administration

Under the State's Constitution, the General Assembly has no power to incur State debts in excess of $50,000 without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent. At the end of the current fiscal year, the State's governmental activities had total bonded debt outstanding of $2,222.9 million of which $997.1 million is general obligation debt,

$358.1 million is special obligation debt and $867.7 million is debt of the blended component units. Additionally, accreted interest of $11.2 million has been recognized for debt of one blended component unit, which will not be paid until 2052. The State's total bonded debt increased by $16.4 million during the current fiscal year. This increase is the net of a $83.6 million increase in general obligation debt, a decrease of $32.0 million in special obligation debt and a decrease of $35.2 million in blended component unit debt. Additionally, the State has extended its credit through contractual agreements of a long-term nature, which are subject to annual appropriations.

During the current fiscal year, the State issued $178.3 million of general obligation bonds of which $46.6 million were refunding bonds used to refund $47.3 million of outstanding bonds. These bonds have been assigned ratings by Fitch, Inc. (Fitch), Moody's Investors Service (Moody's) and Standard and Poor's Rating Services (Standard and Poor's).

The State does not have any debt limitation. Bonds authorized by the voters, that remain unissued as of the end of the current fiscal year, amounted to $275.0 million. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

Other Post-Employment Benefits

In accordance with GASB Statement No. 45 the State began accounting for retiree health care benefits on an actuarial basis in fiscal year 2008. An actuarial study completed as of June 30, 2005 has determined the State's unfunded actuarial accrued liability to be approximately $643.6 million. Based on a discount rate of 3.566%, the State and other participating employers' annual required contribution was determined to be $46.1 million and the net OPEB obligation as of June 30, 2008 was $17.7 million.

In order to address this unfunded liability and reduce the ongoing cost to the taxpayer, as part of his FY 2009 financial plan, the Governor recommended modifying eligibility requirements and co-share percentages for retiree health. The General Assembly adopted his proposal with minor modifications including changing the effective date to October 1, 2008. Employees retiring after October 1, 2008 would be eligible for retiree health coverage through the State if they are age 59 or over with a minimum of 20 years of service. For employees retiring before October 1, 2008, an employee with over 10 years of service as of July 1, 2005 was eligible for retirement with at least 28 years of service at any age, or at least 10 years of service and at least age 60, and was therefore eligible for retiree health. For those employees with less than 10 years of service prior to July 1, 2005, the employee had to be age 59 with at least 29 years of service, age 65 with ten years of service, or age 55 with 20 years of service. The enacted reform modified the co-share percentage to require a 20 percent co-share on the full cost of the early retiree or post-65 plan in which the retiree is enrolled. For those retiring prior to October 1, 2008, the early retirees pay a co-share based on years of service on the active employee rate. For these employees retiring prior to October 1, 2008, who are over age 60 with at least 28 years of service, the state pays 100 percent of the cost of the plan.

Conditions Expected to Affect Future Operations

At the November 2008 Revenue Estimating Conference (REC) the enacted FY 2009 estimate of general revenues was revised downward by $233.6 million. Of the 21 general revenue sources that are estimated at the REC, 12 were revised downward from enacted estimates including the three largest tax sources of general revenue; Personal Income Tax, Sales and Use Tax, and Business Corporation Tax. In addition, the estimated Lottery Transfer to the general fund was revised downward as were Departmental Receipts. The revised FY 2009 estimate of total general revenues is $3.113 billion, a 7.0 percent decrease from the enacted FY 2009 estimate.

In addition, the first quarter report for FY 2009 prepared by the Budget Office and issued on November 17, 2008 projects that expenditures will exceed appropriations for a number of programs by $127.6 million. In total the general revenue deficit for FY 2009 is projected to be $357.4 million according to the first quarter report for FY 2009 prepared by the Budget Office.

On January 7, 2009 the Governor submitted a supplemental budget proposal for FY 2009 to the General Assembly. This proposal, which was subsequently revised by the Governor to incorporate the impact of the American Recovery and Reinvestment Act, included a number of measures designed to eliminate the FY 2009 budget deficit discussed above. On April 8, 2009 the General Assembly enacted a revised supplemental budget for FY 2009.

In hopes of combating the worst economic crisis confronting the nation since the Great Depression, the United States Congress passed in February 2009 the American Recovery and Reinvestment Act, a $787 billion stimulus package consisting of various spending and tax cut measures. Current estimates place Rhode Island's spending share of the Federal stimulus package in a range from $825 million to over $1 billion, which is believed to include approximately $451.5 million over 27 months for Rhode Island's Medicaid programs, approximately $137 million for highway and bridge construction and repairs, approximately $75.4 million for other infrastructure work, approximately $91 million for aid to schools serving low-income students and special education programs for children with learning disabilities, and approximately $165 million of fiscal stabilization funds to be used primarily as education aid. The full impact of such stimulus funds have not been reflected in the State's FY 2009 and FY 2010 deficit projections previously noted. The State has prepared necessary certifications by the Governor to receive funds under the American Recovery and Reinvestment Act. This process, which is ongoing, includes review of the federal act to determine if any state legislative action will be required, and requesting the General Assembly to take such legislative action, in order to qualify for the funds.

The Blue Ribbon Panel for Transportation Funding formed by the Governor in March 2008 released its report dated as of December 23, 2008. The Blue Ribbon Panel projected that the State would need to spend approximately $639 million per year during the next 10 years to maintain the State's highway system in a state of good operation and repair but that state and federal funding only currently provides approximately $354 million per year. The Blue Ribbon panel suggested various funding strategies that could possibly be implemented to meet, in whole or in part, the $285 million funding gap each year. Such recommended funding strategies included levying a $3 toll on all cars and $6 on all trucks entering the State, imposing tolls on all bridges between Aquidneck Island and the mainland, raising passenger-vehicle registration fees, raising the State gasoline tax by as much as 15 cents per gallon, creation of a petroleum product

gross receipts tax and a vehicle miles traveled fee. The various revenue strategies outlined would require legislation for implementation.

The owner and operator of Twin River, one of the two licensed video lottery facilities in the State, had entered into a forbearance agreement with its lenders (who had provided a $565 million loan package) as a result of its default on loan payments. The forbearance agreement expired January 31, 2009 and no resolution to restructuring the loan package has been reached yet on the matter. In addition, the possible opening of new gaming sites in Massachusetts may significantly reduce revenues of Twin River since such sites are likely to reduce the number of out-of-state patrons visiting Twin River. The State continues to closely monitor the situation.

Subsequent to June 30, 2008, the fair value of the investments held within the pension trust funds have declined significantly, consistent with overall declines in the domestic and international financial markets. At March 31, 2009 declines were approximately 25% compared to the fair value of investments at June 30, 2008. The State Investment Commission has adopted a long-term investment policy for the System's investments, which includes diversification of holdings pursuant to an asset allocation model. Additionally, the impact on the funded status of the plans and required contributions due to any near term decline in value of the pension trust fund investments will be tempered by the five-year smoothing method employed in the actuarial value of assets.

Economic Factors

The unemployment rate for the State of Rhode Island was 9.1 percent in the fourth quarter of 2008, which is an increase from the rate of 5.8 percent during the fourth quarter of 2007. As of February 2009, the State's rate has risen to 10.5 percent. This compares unfavorably with the U.S. rate of 8.1 percent and reflects the fact that Rhode Island's economy felt the effects of the downturn in the housing market sooner than the country as a whole and has been hit again with the widening national recession.

One of the "main threats" to the State's economy is the high tax burden imposed on Rhode Island businesses and households. Rhode Island's heavy tax burden is attributable to high property taxes at the local level and high personal income tax rates at the state level. The former discourages businesses that are making relocation decisions from choosing Rhode Island. The latter discourage entrepreneurs and venture capitalists from enhancing new business development in the State giving Rhode Island a less dynamic economy than Connecticut and Massachusetts. To address this problem, Governor Carcieri formed a Tax Policy Strategy Workgroup to come up with proposals to make Rhode Island's tax system a competitive advantage in recruiting firms and increasing jobs in the state. The Workgroup reported its proposals to the Governor in March 2009.

Requests for Information

This financial report is designed to provide a general overview of Rhode Island's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional information should be sent to

finreport@mail.state.ri.us. The State's Comprehensive Annual Financial Report may be found on the State Controller's home page, http://controller.admin.ri.gov/index.php. Requests for additional information related to component units should be addressed as listed in Note 1 of the financial statements.

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BASIC FINANCIAL

STATEMENTS

State of Rhode Island and Providence Plantations
Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business - Type Activities	Totals	Component Units
Assets				
Current assets:				
Cash and cash equivalents	$ 438,381	$ 16,990	$ 455,371	$ 252,825
Funds on deposit with fiscal agent	185,601	127,528	313,129	
Investments	241		241	96,793
Receivables (net)	409,757	55,276	465,033	238,721
Restricted assets:				
Cash and cash equivalents		20,939	20,939	311,851
Investments	72,280		72,280	403,103
Other assets				10,066
Due from primary government				4,181
Due from component units	12,690		12,690	757
Internal balances	3,700	(3,700)		
Due from other governments and agencies	184,795	1,426	186,221	5,282
Inventories	2,626	684	3,310	2,747
Other assets	55,104	749	55,853	16,167
Total current assets	1,365,175	219,892	1,585,067	1,342,493
Noncurrent assets:				
Investments				141,957
Receivables (net)	6,873		6,873	3,121,577
Restricted assets:				
Cash and cash equivalents				152,904
Investments				121,395
Other assets				136,270
Due from component units	30,315		30,315	
Capital assets - nondepreciable	1,255,722	47,125	1,302,847	629,486
Capital assets - depreciable (net)	1,470,510	161,470	1,631,980	1,303,552
Other assets	11,481	3,527	15,008	64,262
Total noncurrent assets	2,774,901	212,122	2,987,023	5,671,403
Total assets	4,140,076	432,014	4,572,090	7,013,896
Liabilities				
Current Liabilities:				
Cash overdraft	3,735		3,735	455
Accounts payable	511,253	16,483	527,736	86,932
Due to primary government				12,690
Due to component units	4,181		4,181	68
Due to other governments and agencies		1,888	1,888	1,454
Deferred revenue	13,449	2,582	16,031	25,817
Other current liabilities	109,362	4,295	113,657	264,164
Notes payable	1,860		1,860	
Current portion of long-term debt	190,721	9,473	200,194	203,309
Obligation for unpaid prize awards		5,632	5,632	
Total current liabilities	834,561	40,353	874,914	594,889
Noncurrent Liabilities:				
Due to primary government				30,315
Due to other governments and agencies				3,963
Net OPEB obligation	16,112	62	16,174	4,237
Deferred revenue		8,895	8,895	679
Due to component units				689
Notes payable	416		416	10,780
Loans payable				254,868
Obligations under capital leases	220,831		220,831	14,928
Compensated absences	12,210		12,210	29,595
Bonds payable	2,153,132	260,023	2,413,155	3,809,942
Other liabilities	73,353		73,353	142,366
Total noncurrent liabilities	2,476,054	268,980	2,745,034	4,302,362
Total liabilities	3,310,615	309,333	3,619,948	4,897,251
Net Assets				
Invested in capital assets, net of related debt	1,820,078	(60,902)	1,759,176	993,498
Restricted for:				
Budget reserve	102,869		102,869	
Transportation	1,388		1,388	
Assistance to Other Entities	52,495		52,495	
Debt	87,520	20,939	108,459	620,573
Employment insurance program	136,145	177,989	314,134	
Other	44,998		44,998	139,080
Nonexpendable-education	2,173		2,173	92,210
Unrestricted	(1,418,205)	(15,345)	(1,433,550)	271,284
Total net assets	$ 829,461	$ 122,681	$ 952,142	$ 2,116,645

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating grants and contributions	Program Revenues: Capital grants and contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental activities	Primary Government: Business-type activities	Primary Government: Totals	Component Units
Primary government:								
Governmental activities:								
General government	$ 894,766	$ 178,590	$ 71,303	$ 512	$ (644,361)	$	$ (644,361)	$
Human services	2,736,956	167,241	1,433,431	1,522	(1,134,762)		(1,134,762)	
Education	1,361,310	36,241	182,036	71	(1,142,962)		(1,142,962)	
Public safety	428,351	36,194	30,873	731	(360,553)		(360,553)	
Natural resources	90,087	31,753	17,816	9,741	(30,777)		(30,777)	
Transportation	240,644	(207)	92,245	100,135	(48,471)		(48,471)	
Interest and other charges	133,298				(133,298)		(133,298)	
Total governmental activities	5,885,412	449,812	1,827,704	112,712	(3,495,184)		(3,495,184)	
Business-type activities:								
State lottery	2,042,722	2,396,401				353,679	353,679	
Convention center	41,007	19,137				(21,870)	(21,870)	
Employment security	259,246	185,545	3,285			(70,416)	(70,416)	
Total business-type activities	2,342,975	2,601,083	3,285			261,393	261,393	
Total primary government	$ 8,228,387	$ 3,050,895	$ 1,830,989	$ 112,712	(3,495,184)	261,393	(3,233,791)	
Component units:	$ 1,270,657	$ 897,571	$ 46,196	$ 103,402				(223,488)
General Revenues:								
Taxes					2,820,709		2,820,709	
Interest and investment earnings					32,466	9,531	41,997	60,345
Miscellaneous					121,273	8,341	129,614	28,188
Gain on sale of capital assets					3,026		3,026	
Transfers					324,928	(324,928)		
Payments from component units					39,284		39,284	
Payments from primary government								248,245
Total general revenues and transfers					3,341,686	(307,056)	3,034,630	336,778
Change in net assets					(153,498)	(45,663)	(199,161)	113,290
Net assets - beginning as restated					982,959	168,344	1,151,303	2,003,355
Net assets - ending					$ 829,461	$ 122,681	$ 952,142	$ 2,116,645

The notes to the financial statements are an integral part of this statement.

Major Funds

Governmental

General Fund – is the operating fund of the State and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is mandated.

> **Intermodal Surface Transportation Fund –** accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the state's highway system.

Capital Project Funds - account for resources obtained and used for the acquisition, construction or improvement of capital facilities not reported in other governmental or proprietary funds

> **GARVEE** – accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents a gallon gasoline tax, which is dedicated for the debt service of the RIMFT bonds.

Proprietary

Enterprise Funds - account for operations where management has decided that periodic determination of revenues earned, expenses incurred (including depreciation), and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

> **State Lottery Fund -** operates lottery games for the purpose of generating resources for the State's General Fund.
>
> **Rhode Island Convention Center Authority** - created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located within the City of Providence.
>
> **Employment Security –** accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons.

State of Rhode Island and Providence Plantations
Balance Sheet
Governmental Funds
June 30, 2008
(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 154,513	$ 32,874	$	$ 218,268	$ 405,655
Funds on deposit with fiscal agent			157,206	28,395	185,601
Investments				241	241
Restricted investments				72,280	72,280
Receivables (net)	349,985	13,126		42,662	405,773
Due from other funds	2,676	5,585		8,084	16,345
Due from component units	12,000				12,000
Due from other governments and agencies	142,591	42,206		9	184,806
Loans to other funds	15,108			63,721	78,829
Other assets	45,636			2	45,638
Total assets	$ 722,509	$ 93,791	$ 157,206	$ 433,662	$ 1,407,168
Liabilities and Fund Balances					
Liabilities					
Cash overdraft				52	52
Accounts payable	435,131	19,161	3,558	30,885	488,735
Due to other funds			931	13,364	14,295
Due to component units		3,547		634	4,181
Loans from other funds	63,721			7,408	71,129
Notes payable		1,860			1,860
Deferred revenue	41,780	20,174			61,954
Other liabilities	75,222	618		3,931	79,771
Total liabilities	615,854	45,360	4,489	56,274	721,977
Fund Balances					
Reserved for:					
Budget reserve	102,869				102,869
Appropriations carried forward	46,736				46,736
Debt			13,630	74,125	87,755
Transportation capital projects		40,827			40,827
Employment insurance programs				136,145	136,145
Unreserved, reported in:					
General fund	(42,950)				(42,950)
Special revenue funds		7,604		67	7,671
Capital projects funds			139,087	164,878	303,965
Permanent fund				2,173	2,173
Total fund balances	106,655	48,431	152,717	377,388	685,191
Total liabilities and fund balances	$ 722,509	$ 93,791	$ 157,206	$ 433,662	$ 1,407,168

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Reconciliation of the Balance Sheet of the Governmental Funds
to Statement of Net Assets for Governmental Activities
June 30, 2008
(Expressed in Thousands)

Fund balance - total governmental funds			$ 685,191
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.			
	Capital assets	4,275,879	
	Accumulated depreciation	(1,552,736)	
			2,723,143
Bond, notes, certificates of participation, accrued interest and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.			
	Compensated absences	(66,568)	
	Bonds payable	(2,234,392)	
	Net premium/discount and deferred amount on refunding	(23,119)	
	Cost of issuance	9,390	
	Obligations under capital leases	(236,060)	
	Premium	(6,101)	
	Cost of issuance	2,090	
	Interest payable	(22,978)	
	Other Liabilities	(99,560)	
			(2,677,298)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Receivables	8,172	
	Due from component units	31,005	
	Deferred revenue	48,505	
			87,682
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net assets of the internal service funds are reported with governmental activities.			10,743
Net assets - total governmental activities			$ 829,461

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	General	Intermodal Surface Transportation	GARVEE	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 2,516,401	$ 135,412	$	$ 166,272	$ 2,818,085
Licenses, fines, sales, and services	322,864			465	323,329
Departmental restricted revenue	126,090	(207)			125,883
Federal grants	1,740,283	196,327			1,936,610
Income from investments	2,779	830	9,228	18,685	31,522
Other revenues	38,421	4,555		53,425	96,401
Total revenues	4,746,838	336,917	9,228	238,847	5,331,830
Expenditures:					
Current:					
General government	626,052			177,509	803,561
Human services	2,727,534				2,727,534
Education	1,289,124			563	1,289,687
Public safety	410,605				410,605
Natural resources	72,982			2	72,984
Transportation		244,638			244,638
Capital outlays			78,454	186,259	264,713
Debt service:					
Principal	92,077	2,626	32,045	16,620	143,368
Interest and other charges	68,478	479	19,146	43,472	131,575
Total expenditures	5,286,852	247,743	129,645	424,425	6,088,665
Excess (deficiency) of revenues over (under) expenditures	(540,014)	89,174	(120,417)	(185,578)	(756,835)
Other financing sources (uses):					
Bonds and notes issued				131,755	131,755
Refunding bonds issued				46,570	46,570
Proceeds from the sale of Certificates of Participation				59,185	59,185
Premium and accrued interest				7,241	7,241
Operating transfers in	541,610	28,198	53,175	101,445	724,428
Payments from component units	39,231	53			39,284
Other	26,312			10	26,322
Payment to refunded bonds escrow agent				(111,253)	(111,253)
Discount on issuance of debt				(4)	(4)
Operating transfers out	(104,650)	(101,813)		(196,549)	(403,012)
Total other financing sources (uses)	502,503	(73,562)	53,175	38,400	520,516
Net change in fund balances	(37,511)	15,612	(67,242)	(147,178)	(236,319)
Fund balances - beginning	144,166	32,819	219,959	524,566	921,510
Fund balances - ending	$ 106,655	$ 48,431	$ 152,717	$ 377,388	$ 685,191

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (236,319)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Current year acquisitions are therefore deducted from expenses on the Statement of Activities, less current year depreciation expense and revenue resulting from current year disposals.		
Capital outlay	227,169	
Depreciation expense	(106,520)	
Net gain (loss) on sale of capital assets	(6,826)	
		113,823
Bond, notes, and certificates of participation proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt service		
Principal	143,368	
Payment to escrow agent	107,740	
Interest and other charges	(9,392)	
Proceeds from sale of debt	(237,510)	
Deferral of premium/discount	(3,743)	
Amortization of premium/discount	6,817	
Deferral of issuance costs	2,166	
Amortization of issuance costs	(1,295)	
		8,151
Revenues (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds.		
Compensated absences	10,607	
Program expenses	(46,487)	
Program revenue	875	
Capital grant revenue	3,807	
General revenue - taxes	2,624	
General revenue-misc	2,138	
		(26,436)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is reported with governmental activities.		(12,717)
Change in net assets - total governmental activities		$ (153,498)

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Net Assets
Proprietary Funds
June 30, 2008
(Expressed in Thousands)

	Business-type Activities--Enterprise Funds				Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	$ 12,744	$ 2,651	$ 1,595	$ 16,990	$ 32,726
Restricted cash and cash equivalents		20,939		20,939	
Funds on deposit with fiscal agent			127,528	127,528	
Receivables (net)	4,506	916	49,854	55,276	2,686
Loans to other funds					2,100
Due from other funds					3,943
Due from other governments and agencies			1,426	1,426	
Inventories	684			684	2,626
Other assets	395	354		749	9,398
Total current assets	18,329	24,860	180,403	223,592	53,479
Noncurrent assets:					
Capital assets - nondepreciable		47,125		47,125	
Capital assets - depreciable (net)	908	160,562		161,470	3,148
Other assets		3,527		3,527	
Total noncurrent assets	908	211,214		212,122	3,148
Total assets	19,237	236,074	180,403	435,714	56,627
Liabilities					
Current Liabilities:					
Cash overdraft					3,683
Accounts payable	10,091	6,392		16,483	22,522
Due to other funds	1,674	1,500	526	3,700	2,293
Due to other governments and agencies			1,888	1,888	
Loans from other funds					9,800
Deferred revenue	295	2,287		2,582	
Other current liabilities	2,108	2,187		4,295	
Bonds payable		9,473		9,473	
Obligations under capital leases					7,481
Obligation for unpaid prize awards	5,632			5,632	
Total current liabilities	19,800	21,839	2,414	44,053	45,779
Noncurrent Liabilities:					
Deferred revenue	8,750	145		8,895	
Bonds payable		260,023		260,023	
Net OPEB obligations	62			62	107
Total noncurrent liabilities	8,812	260,168		268,980	107
Total liabilities	28,612	282,007	2,414	313,033	45,886
Net Assets					
Invested in capital assets, net of related debt	908	(61,810)		(60,902)	3,148
Restricted for:					
Debt		20,939		20,939	
Employment insurance programs			177,989	177,989	
Unrestricted	(10,283)	(5,062)		(15,345)	7,593
Total net assets	$ (9,375)	$ (45,933)	$ 177,989	$ 122,681	$ 10,741

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities--Enterprise Funds				Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	$ 2,396,401	$ 18,605	$ 185,501	$ 2,600,507	$ 310,057
Grants			3,285	3,285	
Miscellaneous		532	44	576	
Total operating revenues	2,396,401	19,137	188,830	2,604,368	310,057
Operating expenses:					
Personal services	4,754	11,874		16,628	9,614
Supplies, materials, and services	216,039	8,080		224,119	317,258
Prize awards	1,821,683			1,821,683	
Depreciation and amortization	246	9,063		9,309	386
Benefits paid			251,273	251,273	
Total operating expenses	2,042,722	29,017	251,273	2,323,012	327,258
Operating income (loss)	353,679	(9,880)	(62,443)	281,356	(17,201)
Nonoperating revenues (expenses):					
Interest revenue		2,022	7,509	9,531	942
Other nonoperating revenue	2,514		5,827	8,341	
Interest expense		(11,990)		(11,990)	
Other nonoperating expenses			(7,973)	(7,973)	28
Total nonoperating revenue (expenses)	2,514	(9,968)	5,363	(2,091)	970
Income (loss) before transfers	356,193	(19,848)	(57,080)	279,265	(16,231)
Transfers in		31,661	1,622	33,283	7,778
Transfers out	(355,568)		(2,643)	(358,211)	(4,266)
Change in net assets	625	11,813	(58,101)	(45,663)	(12,719)
Total net assets - beginning	(10,000)	(57,746)	236,090	168,344	23,460
Total net assets - ending	$ (9,375)	$ (45,933)	$ 177,989	$ 122,681	$ 10,741

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities--Enterprise Funds				Governmental Activities
	R.I. State Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	$ 2,409,271	$ 19,854	$ 185,904	$ 2,615,029	$ 311,341
Cash received from grants			3,285	3,285	
Cash payments to suppliers for goods and services	(4,630)	(8,107)		(12,737)	(317,086)
Cash payments to employees for services	(4,790)	(11,757)		(16,547)	(3,070)
Cash payments to prize winners	(1,830,030)			(1,830,030)	
Cash payments for commissions	(213,686)			(213,686)	
Cash payments for benefits			(251,273)	(251,273)	
Other operating revenue (expense)			829	829	28
Net cash provided by (used for) operating activities	356,135	(10)	(61,255)	294,870	(8,787)
Cash flows from noncapital financing activities:					
Loans from other funds					5,050
Loans to other funds					(5,368)
Repayment of loans to other funds					(1,250)
Operating transfers in		31,661	1,622	33,283	7,778
Operating transfers out	(356,884)		(3,905)	(360,789)	(2,927)
Net transfers from (to) fiscal agent			59,629	59,629	
Negative cash balance implicitly financed					3,683
Repayment of prior year negative cash balance implicitly financed					(2,692)
Net cash provided by (used for) noncapital financing activities	(356,884)	31,661	57,346	(267,877)	4,274
Cash flows from capital and related financing activities:					
Principal paid on capital obligations		(9,163)		(9,163)	
Interest paid on capital obligations		(11,589)		(11,589)	
Acquisition of capital assets	1	(49,929)		(49,928)	(125)
Proceeds from bonds					
Net cash provided by (used for) capital and related financing activities	1	(70,681)		(70,680)	(125)
Cash flows from investing activities:					
Proceeds from sale and maturity of investments		43,791		43,791	
Interest on investments	1,404	2,052		3,456	942
Net cash provided by (used for) investing activities	1,404	45,843		47,247	942
Net increase (decrease) in cash and cash equivalents	656	6,813	(3,909)	3,560	(3,696)
Cash and cash equivalents, July 1	12,088	16,777	5,504	34,369	36,422
Cash and cash equivalents, June 30	$ 12,744	$ 23,590	$ 1,595	$ 37,929	$ 32,726
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	353,679	(9,880)	(62,443)	281,356	(17,201)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	246	9,063		9,309	386
Other revenue (expense) and operating transfer in (out)	468		785	1,253	28
Net changes in assets and liabilities:					
Receivables, net	4,072	1	403	4,476	2,270
Inventory	286			286	(384)
Prepaid items		(63)		(63)	
Other assets	87	8		95	
Accounts and other payables	(2,551)	145		(2,406)	(430)
Accrued expenses	12			12	6,544
Deferred revenue	113	716		829	
Prize awards payable	(277)			(277)	
Total adjustments	2,456	9,870	1,188	13,514	8,414
Net cash provided by (used for) operating activities	$ 356,135	$ (10)	$ (61,255)	$ 294,870	$ (8,787)

The notes to the financial statements are an integral part of this statement.

Fiduciary Funds

Fiduciary Funds – used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs.

Pension Trusts – used to report resources that are required to be held in trust for the members and beneficiaries of the State sponsored defined benefit pension plans.

Private-Purpose Trust – used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Touro Jewish Synagogue – accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

Agency Funds – used to report resources held by the State in a purely custodial capacity (assets equal liabilities).

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State of Rhode Island and Providence Plantations
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Expressed in Thousands)

	Pension Trust	Private Purpose Touro Jewish Synagogue	Agency
Assets			
Cash and cash equivalents	$ 3,337	$	$ 25,650
Deposits held as security for entities doing business in the State			77,016
Receivables			
Contributions	33,533		
Due from state for teachers	18,769		
Miscellaneous	2,146		2,175
Total receivables	54,448		2,175
Investments, at fair value			
Equity in Short-Term Investment Fund	3,530		
Equity in Pooled Trust	7,815,849		
Other investments		2,175	
Total investments before lending activities	7,819,379	2,175	
Invested securities lending collateral	1,116,709		
Property and equipment, at cost, net of accumulated depreciation	7,724		
Total assets	9,001,597	2,175	104,841
Liabilities			
Securities lending liability	1,116,709		
Accounts payable	8,210		3,818
Net OPEB liability	52		
Deposits held for others			101,023
Total liabilities	1,124,971		104,841
Net assets held in trust for pension and other benefits	$ 7,876,626	$ 2,175	$

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Pension Trust	Private Purpose Touro Jewish Synagogue
Additions		
Contributions		
Member contributions	$ 175,894	$
Employer contributions	295,494	
State contributions for teachers	82,456	
Interest on service credits purchased	2,444	
Total contributions	556,288	
Investment income		
Net appreciation in fair value of investments	(684,418)	(333)
Interest	128,146	
Dividends	88,977	50
Other investment income	6,592	138
	(460,703)	(145)
Less investment expense	28,619	
Net income (loss) from investing activities	(489,322)	(145)
Securities Lending		
Securities lending income	53,865	
Less securities lending expense	46,037	
Net securities lending income	7,828	
Total net investment income (loss)	(481,494)	(145)
Total additions	74,794	(145)
Deductions		
Benefits		
Retirement benefits	518,188	
Cost of living adjustment	136,801	
SRA Plus Option	28,821	
Supplemental benefits	1,090	
Death benefits	2,804	
Total benefits	687,704	
Refund of contributions	10,840	
Administrative expense	8,422	
Distribution		156
Total deductions	706,966	156
Change in net assets	(632,172)	(301)
Net assets held in trust for pension benefits		
Net assets - beginning	8,508,798	2,476
Net assets - ending	**$** 7,876,626	**$** 2,175

The notes to the financial statements are an integral part of this statement.

State of Rhode Island and Providence Plantations
Notes to the Basic Financial Statements
June 30, 2008

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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the State of Rhode Island and Providence Plantations (the State) and its component units have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, defines component units as legally separate entities for which a primary government (the State) is financially accountable or, if not financially accountable, their exclusion would cause the State's financial statements to be misleading. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an entity's governing body and (1) the ability of the State to impose its will on that entity **or** (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the State. The State has considered all agencies, boards, commissions, public benefit authorities and corporations, the State university and colleges and the Central Falls School District as potential component units. Audited financial statements of the individual component units can be obtained from their respective administrative offices. The entities that were deemed to be component units were included because the State appoints a voting majority of the entity's governing body and the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the State.

Blended Component Units

These component units are entities, which are legally separate from the State, but are so intertwined with the State that they are in substance, the same as the State. They are reported as part of the State and blended into the appropriate funds.

Rhode Island Convention Center Authority (RICCA) - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located within the City of Providence. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Dome Building, 3rd Floor, Providence, RI 02903.

Rhode Island Refunding Bond Authority (RIRBA) - This authority was created by law for the purpose of loaning money to the State to provide funds to pay, redeem, or retire certain general obligation bonds. In fiscal 1998, the State abolished the R.I. Public Buildings

Authority (RIPBA) and assigned the responsibility for managing RIPBA's outstanding debt to the RIRBA. RIPBA was previously reported as a blended component unit. The RIRBA is authorized to issue bonds. Even though it is legally separate, the RIRBA is reported as if it were part of the primary government because it provides services entirely to the primary government. For more detailed information, a copy of the financial statements can be obtained by writing to the Deputy General Treasurer, Office of General Treasurer, 40 Fountain Street, Providence, RI 02903.

Tobacco Settlement Financing Corporation (TSFC) - This corporation was organized in June 2002 as a public corporation by the State. TSFC is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit. The purpose of the corporation is to purchase tobacco settlement revenues from the State. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the Tobacco Settlement Financing Corporation, One Capitol Hill, Providence, RI 02908.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. Discretely presented component units are:

University and Colleges - The Board of Governors for Higher Education has oversight responsibility for the University of Rhode Island, Rhode Island College and the Community College of Rhode Island. The Board is appointed by the Governor with approval of the Senate. The university and colleges are funded through State appropriations, tuition, federal grants, private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805.

Central Falls School District - The Rhode Island General Assembly passed an act which provided for the State to assume an administrative takeover of the Central Falls School District. The Governor appointed a special State administrator who replaced the school committee. The State administrator reports to the Commissioner of Elementary and Secondary Education. The District's purpose is to provide elementary and secondary education to residents of the City of Central Falls. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 21 Hadley Avenue, Central Falls, RI 02863.

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) - This Corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721.

Rhode Island Student Loan Authority (RISLA) - This Authority, established in 1981, was created in order to provide a statewide student loan program through the acquisition of student loans. It has the power to issue bonds and notes, payable solely from its revenues. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Student Loan Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

Rhode Island Turnpike and Bridge Authority (RITBA) - This Authority was created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437.

Rhode Island Economic Development Corporation (RIEDC) - This Corporation was created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State, which will promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose. The RIEDC has four subsidiary corporations. The R. I. Airport Corporation manages the State's six airports. The Quonset Development Corporation oversees the Quonset Point/Davisville Industrial Park. In addition, the RIEDC operates the Small Business Loan Fund Corporation and the R.I. Economic Policy Council. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903.

Narragansett Bay Commission (NBC) - This Commission was created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities. NBC receives contributed capital from the State to upgrade its facilities. For more detailed information, a copy of the financial statements can be obtained by writing to the Narragansett Bay Commission, 1 Service Road, Providence, RI 02905.

Rhode Island Health and Educational Building Corporation (RIHEBC) - This Corporation has the following purposes: (1) to assist in providing financing for education facilities for colleges and universities operating in the State; (2) to assist hospitals in the State in the financing of health care facilities; (3) to assist stand-alone, non-profit assisted-living and adult daycare facilities; (4) to assist in financing a broad range of non-profit health care providers; and (5) to assist in financing non-profit secondary schools and child care centers.

RIHEBC issues bonds, notes and leases which are special obligations of RIHEBC payable from revenues derived from the projects financed or other moneys of the participating education institution or health care institution. The bonds, notes and leases do not constitute a debt or pledge of the faith and credit of RIHEBC or the State and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Health and Educational Building Corporation, 170 Westminster Street, Suite 1200, Providence, RI 02903.

Rhode Island Resource Recovery Corporation (RIRRC) - This Corporation was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the State. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919.

Rhode Island Higher Education Assistance Authority (RIHEAA) - This Authority was created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student assistance. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Higher Education Assistance Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

Rhode Island Public Transit Authority (RIPTA) - This Authority was established in 1964 to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such service. Revenues of RIPTA include operating assistance grants from the federal and State governments. For more detailed information, a copy of their financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 265 Melrose Street, Providence, RI 02907.

Rhode Island Industrial Facilities Corporation (RIIFC) - The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903.

Rhode Island Clean Water Finance Agency (RICWFA) - This Agency was established in 1991 for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the State for the construction or upgrading of water pollution abatement projects. RICWFA receives capital grants from the State and federal governments and is authorized to issue revenue bonds and notes. For more

detailed information, a copy of the financial statements can be obtained by writing to the R.I. Clean Water Finance Agency, 235 Promenade Street, Suite 119, Providence, RI 02908.

Rhode Island Industrial-Recreational Building Authority (RIIRBA) - This Authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. Any losses realized in excess of the fund balance would be funded by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903.

Rhode Island Water Resources Board Corporate (RIWRBC) - This Board was created by law to foster and guide the development of water resources including the establishment of water supply facilities and lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the State. RIWRBC is authorized to issue revenue bonds which are payable solely from revenues generated by the lease of its facilities or the sale of water. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Water Resources Board Corporate, One Capitol Hill, Providence, RI 02908.

Rhode Island Public Telecommunications Authority (RIPTCA) - This Authority owns and operates a non-commercial educational television station in the State. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Public Telecommunications Authority, 50 Park Lane, Providence, RI 02907-3124.

The College Crusade of Rhode Island (TCCRI) - This is a Rhode Island nonprofit corporation, formerly named the Rhode Island Children's Crusade for Higher Education, formed for the purpose of fostering the education of economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students. For more detailed information, a copy of the financial statements can be obtained by writing to the The College Crusade of Rhode Island, The 134 Center, Suite 111, 134 Thurbers Avenue, Providence, RI 02905.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt. This category reflects the portion of net assets associated with capital assets, net of accumulated depreciation and reduced by outstanding bonds and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets. This category results when constraints are externally imposed on net assets use by creditors, grantors or contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets. This category represents net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but those constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The State does not allocate indirect costs to the functions. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and all enterprise funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available, i.e., earned and collected within the next 12 months. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual

accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, the focus in the fund financial statements is on major and nonmajor funds rather than on fund type. Statement No. 34 defines the general fund as a major fund. Other governmental funds and enterprise funds are evaluated on these criteria:

- Total assets, liabilities, revenues, **or** expenditures/expenses of that fund are at least 10% of the respective total for all funds of that type, **and**
- Total assets, liabilities, revenues, **or** expenditures/expenses of that fund are at least 5% of the **same** respective total for all funds being evaluated.

Since the activity of the **Intermodal Surface Transportation Fund** (ISTEA) and the GARVEE fund are so closely related and the same personnel are responsible for the accounting and financial reporting for both funds, management has determined that if either fund meets the criteria of a major fund the other fund will also be reported as a major fund.

The State reports the following major funds:

General Fund. This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Intermodal Surface Transportation Fund. This fund accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used in maintenance, upgrading, and construction of the State's highway system.

GARVEE Fund. This fund accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, related expenditures and the two cents a gallon gasoline tax that is dedicated for the debt service of the RIMFT bonds.

The State reports the following major proprietary funds:

State Lottery Fund. The State Lottery Fund operates games of chance for the purpose of generating resources for the State's General Fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Office of The Financial Administrator, State Lottery, 1425 Pontiac Avenue, Cranston, RI 02920.

Rhode Island Convention Center Authority (RICCA) - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence on behalf of the State. RICCA is also responsible for the management and operations of the Dunkin' Donuts Center located within the City of Providence. For more detailed information, a copy

of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Dome Building, 3rd Floor, Providence, RI 02903.

Employment Security Fund. This fund accounts for the State's unemployment compensation benefits. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons. Funds are also provided by the federal government and interest income.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds. These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is legally mandated.

Capital Projects Funds. These funds reflect transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities of the State and its component units.

Permanent Fund. The Permanent School Fund accounts for certain appropriations and the earnings thereon, which are used for the promotion and support of public education.

Proprietary Fund Types:

Internal Service Funds. These funds account for, among other things, employee and retiree medical benefits, State fleet management, unemployment and workers' compensation for State employees, industrial prison operations, surplus property, telecommunications and other utilities, and records maintenance.

Fiduciary Fund Types:

Pension Trust Funds. These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, and Judicial Retirement Benefit Trust, which accumulate resources for pension benefit payments to qualified employees.

Private Purpose Trust Fund. The Touro Jewish Synagogue Fund accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

Agency Funds. These funds account for assets held by the State pending distribution to others or pledged to the State as required by statute and health insurance for certain retirees.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, in the absence of specific guidance from GASB pronouncements, pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 have been followed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The State's enacted budget designates the source of funds for expenditures. When a type of expenditure is allocable to multiple funding sources, federal and restricted funds are generally utilized first.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase.

Except for certain internal service funds, the State does not pool its cash deposits. For those internal service funds that pool cash, each fund reports its share of the cash on the Statement of Net Assets.

F. Funds on Deposit with Fiscal Agent

Funds on deposit with fiscal agent in the governmental activities and business-type activities are the unexpended portion of debt instruments sold primarily for capital acquisitions and funds held by the United States Treasury Department for the payment of unemployment benefits, respectively.

G. Investments

Investments are generally stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Short-term investments are stated at amortized cost, which approximates fair value.

H. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based upon past collection experience. Within governmental funds, an allowance for unavailable amounts is also reflected.

I. Due From Other Governments and Agencies

Due from other governments and agencies is primarily comprised of amounts due from the federal government for reimbursement-type grant programs.

J. Interfund Activity

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity on the government-wide financial statements. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. The Due From/(To) Other Funds are reported at the net amount on the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost (first-in, first-out). Inventories of university and colleges are stated at the lower of cost (first-in, first-out and retail inventory method) or market, and consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

L. Capital Assets

Capital assets, which include land, non-depreciable intangibles, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Non-depreciable intangibles consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

Applicable capital assets are depreciated using the straight-line method (using a half-year convention). Capitalization thresholds and estimated useful lives for depreciable capital asset categories of the primary government are as follows:

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	$1 million	20 years
Buildings	$1 million	20 - 50 years
Building Improvements	$1 million	10 - 20 years
Furniture and equipment	$5,000	3 - 10 years
Intangibles	$1 million	5 years
Infrastructure	$1 million	7 - 75 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized.

Capital assets acquired in the governmental funds are recorded as capital outlay expenditures in capital projects funds and current expenditures by function in other governmental fund financial statements.

Depreciation is recorded in the government-wide financial statements, as well as the proprietary funds and component unit financial statements. Capital assets of the primary government and its component units are depreciated using the straight-line method over the assets' useful life.

M. Bonds Payable

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, bond discounts, premiums, and issuance costs are recognized in the current period. Bond discounts, premiums, and issuance costs in the government-wide financial statements are deferred and amortized over the term of the bonds using the outstanding principal method.

For Proprietary fund types and component units, bond discounts, premiums, discounts, and issuance costs are generally deferred and amortized over the term of the bonds using the straight-line method for issuance costs and the interest method for premiums and discounts. Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred bond issuance costs are included in other assets.

N. Obligations under Capital Leases

The construction and acquisition of certain State office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds

and notes issued by the R.I. Refunding Bond Authority, the R.I. Economic Development Corporation, or by a trustee pursuant to a lease/purchase agreement with the State (See Note 6(D)).

O. Compensated Absences

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness or, to the extent of vested rights, by cash payment upon death or retirement. For governmental fund types, such obligations are recognized when paid and for proprietary fund types, they are recorded as fund liabilities when earned.

P. Other Liabilities

Other liabilities includes escrow deposits, accrued salary and fringe benefits for the governmental fund types, accrued interest payable, accrued salaries, accrued vacation and sick leave for the business fund types and escrow deposits, landfill closure costs, accrued expenses, arbitrage and interest payable for the component units.

Q. Fund Balances

Reserved fund balances represent amounts which are (1) not appropriable for expenditure or (2) legally segregated for a specific future use.

Designated fund balances represent amounts segregated to indicate management's tentative plans or intent for future use of financial resources.

R. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2008, the State adopted several new accounting standards issued by GASB:

GASBS No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, establishes standards for the measurement, recognition and display of OPEB expense/expenditures, and, if applicable, required supplementary information (RSI) in the financial statements of governmental employers.

GASBS No. 50, Pension Disclosures, amends existing Statements 25 and 27 and more closely aligns the financial reporting for pensions with those for other postemployment benefits (OPEB) and requires defined benefit pension plans to disclose additional information in the Notes to the Basic Financial Statements and Required Supplementary Information.

The State will adopt the following new pronouncements in future years:

GASBS No. 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations* effective for the State's fiscal year ending June 30, 2009.

GASBS No. 51 – *Accounting and Financial Reporting for Intangible Assets*, effective for the State's fiscal year ending June 30, 2010.

GASBS No. 52 – *Land and Other Real Estate Held as Investments by Endowments*, effective for the State's fiscal year ending June 30, 2009.

GASBS No. 53 – *Accounting and Financial Reporting for Derivative Instruments*, effective for the State's fiscal year ending June 30, 2010.

The impact of these pronouncements on the State's financial statements has not been determined.

Note 2. Cash, Cash Equivalents, Investments and Funds on Deposit with Fiscal Agent

Cash

Primary Government

At June 30, 2008, the carrying amount of the State's cash deposits was $90,682,000 and the bank balance was $126,066,000. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized b. Collateralized with securities held by the pledging financial institution, or c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Of the bank balance, $984,000 was covered by federal depository insurance and $50,675,000 was collateralized with securities held by the pledging financial institution, or its agent but not in the State's name. The remaining amount, $74,406,000 was uninsured and uncollateralized. The carrying amount and bank balance includes $11,132,000 of certificates of deposit.

During the year, the State issued $220,000,000 in General Obligation Tax Anticipation Notes for working capital. The notes were repaid in full as of June 30, 2008. Additionally, during fiscal year 2008, the General Fund borrowed $85.0 million from the Rhode Island Temporary Disability Insurance Fund and approximately $63.7 million from the Rhode Island Capital Plan Fund for working capital. The loan from the Rhode Island Temporary Disability Insurance Fund was repaid in full at June 30, 2008, while the Rhode Island Capital Plan Fund loan remained outstanding at June 30, 2008.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits

with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2008.

Investments

The State Investment Commission (Commission) is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the Commission may, in general, "invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital."

Short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the Commission. Investments of the pension trust funds are made by investment managers in accordance with the Commission's stated investment objectives and policies. Investments of certain blended component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

Of the State's investments equaling $72,521,000 the Tobacco Settlement Financing Corporation, a non-major governmental fund, has restricted investments totaling $72,280,000.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State's minimum rating criteria policy, collateralization and maximum participation by any one issuer is limited to 35% of the total portfolio. As of June 30, 2008, the State's investments in Morgan Stanley and GE Capital Corporation commercial paper were rated A1+ by Standard & Poor's and P1 by Moody's. The State's investments in Hanover FDG Co, LLC and JP Morgan Chase commercial paper were rated A1 by Standard & Poor's and P1 by Moody's. The State's investments in US Government Agency Securities were rated AAA by Moody's. The State's investment in money market mutual funds included the following: UBS Select Treasury Money Market Fund which was rated AAAm by Standard & Poor's with an average maturity of 20 days; Fidelity Institutional Money Market Funds Class I Government Portfolio which was rated AAAm by Standard & Poor's with an average maturity of 56 days; The Reserve - US Government Fund which was rated AAAm by Standard & Poor's with an average maturity of 48 days; Fidelity Institutional Prime Money Markets which was rated AAAm by Standard & Poor's with an average maturity of 44 days; First American Treasury Obligation Fund which was rated AAAm by Standard & Poor's with an average maturity of 19 days; and Wells Fargo Advantage Treasury Plus which was rated AAAm by Standard & Poor's with an average maturity of 6 days.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: a. The counterparty or b. The counterparty's trust department or agent but not in the government's name.

The portfolio concentrations (expressed in thousands) are as follows.

Type	Issuer	Amount	Percentage
Repurchase Agreements	Citizens Bank	$38,044	5.9%
Commercial Paper	Hanover FDG	52,019	8.1%
Investment Agreements	AIG Matched Funding Corp	100,796	15.7%

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The State's investments (expressed in thousands) at June 30, 2008 are as follows.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Government Agency Securities	$ 29,796	$ 29,796	$ 0	$ 0	$ 0
Money Market Mutual Funds	296,079	296,079	0	0	0
Commercial Paper	87,950	87,950	0	0	0
Repurchase Agreements	44,324	44,324	0	0	0
	$ 458,149	$ 458,149	$ 0	$ 0	$ 0

Funds on Deposit with Fiscal Agent

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2008 are as follows:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Money Market	$ 56,969	56,969	0	0	0
Investment Agreements	128,633	100,750	23,577	0	4,306
Funds on deposit with fiscal agent	$ 185,601	$ 157,719	$ 23,577	$ 0	$ 4,306

The State's investments in money market mutual funds as part of funds on deposit with fiscal agent included the following: Federated Government Obligation Tax Managed Fund which was rated AAAm by Standard & Poor's with an average maturity of 49 days; First American Treasury Obligation Fund which was rated AAAm by Standard & Poor's with an average maturity of 19 days; Wells Fargo Prime Investment Money Market which was rated AAAm by Standard & Poor's with an average maturity of 28 days; and JP Morgan US Government Money Market Fund which was rated AAAm by Standard & Poor's with an average maturity of 38 days.

Investment agreements are not rated investments. Purchase of investment agreements is generally governed by a trust agreement in connection with a debt issuance where debt

proceeds are held in trust until used for their intended purpose. The trust agreement specifies a minimum credit quality rating of the corporate issuer of the investment agreement.

During fiscal year 2008, approximately $6.9 million of income from investments, reported in the Bond Capital Fund and the Rhode Island Clean Water Act Environmental Trust Fund, was assigned to the General Fund for debt service payments.

Fiduciary Funds

Pension Trusts

The Employees' Retirement System (ERS) consists of four plans: the Employee Retirement System (ERSP), Municipal Employees Retirement System (MERS), State Police Retirement Board Trust (SPRBT), and Judicial Retirement Board Trust (JRTB).

Cash Deposits and Cash Equivalents

At June 30, 2008, the carrying amount of the ERS cash deposits was $2,640,000 and the bank balance was $2,994,000. The bank and book balances represent the ERS deposits in short-term trust accounts which include demand deposit accounts and collateralized bank money market accounts. Of the bank balance, the entire amount is covered by federal depository insurance and is fully collateralized. Cash equivalent type investments include overnight repurchase agreements totaling $696,000 which were fully collateralized.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the ERS's deposits were required to be collateralized at June 30, 2008.

Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the ERS. Investment managers engaged by the Commission, at their discretion and in accordance with the investment objectives and guidelines for the ERS, make certain investments. The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

On July 1, 1992, the State Investment Commission pooled the assets of the ERS with the assets of the MERS for investment purposes only, and assigned units to the plans based on

their respective share of market value. On September 29, 1994 and November 1, 1995, the assets of the SPRBT and the JRBT, respectively, were added to the pool for investment purposes only. The custodian bank holds most assets of the ERS in two pooled trusts, Short-term Investment Trust and Pooled Trust. Each plan holds units in the trusts. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

Investment expense is allocated to each plan based on the plan's units in the Short-term Investment Fund and the Pooled Trust at the end of each month.

The following table presents the fair value of investments by type at June 30, 2008 (in thousands):

Investment Type	Fair Value
U.S. Government Securities	$ 601,359
U.S. Government Agency Securities	643,207
Collateralized Mortgage Obligations	31,140
Corporate Bonds	522,078
Domestic Equity Securities	1,139,478
International Equity Securities	1,239,592
Foreign Currencies	12,482
Private Equity	661,784
Real Estate	380,787
Money Market Mutual Fund	423,572
Commingled Funds - Domestic Equity	1,973,594
Commingled Funds - International Equity	190,306
Investments at Fair Value	7,819,379
Securities Lending Collateral Pool	1,116,709
Total	$ 8,936,088

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Duration is a measure of a debt security's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The ERS manages its exposure to interest rate risk by comparing each fixed income manager portfolio's effective duration against a predetermined benchmark index based on that manager's mandate. The fixed income indices currently used by the ERS are:

- Citigroup Broad Investment Grade Bond Index
- Barclays MBS Index
- Barclays Credit Index
- Credit Suisse First Boston Global Hi Yield Index
- Barclays US Tips Index

At June 30, 2008, no fixed income manager was outside of the policy guidelines.

The following table shows the ERS's fixed income investments by type, fair value and the effective duration at June 30, 2008 (in thousands):

Investment Type	Fair Value	Effective Duration
U.S. Government Securities	$ 601,359	5.71
U.S. Government Agency Securities	643,207	3.87
Collateralized Mortgage Obligations	31,140	2.04
Corporate Bonds	522,078	5.61
Total Fixed Income	$ 1,797,784	4.96

The ERS also invested in a short-term money market mutual fund that held investments with an average maturity of 40 days.

The ERS invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only (PO) strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. CMO's are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations. The ERS may invest in interest-only (IO) and principal-only strips (PO) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

Credit Risk

The ERS directs its investment managers to maintain well diversified portfolios by sector, credit rating and issuer using the prudent person standard, which is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Each manager's portfolio composition is aligned with a benchmark and is constructed based on specific guidelines that are reflective of the manager's mandate. An example of a high yield fixed income manager's guidelines is as follows:

- No single industry is expected to represent more than 20% of the portfolio's market value.
- No single issue is expected to represent more than 5% of the portfolio's market value.

- The portfolio, once fully invested, is expected to include a minimum of 70 individual holdings.
- The portfolio quality is expected to be invested in high yield below investment grade fixed income securities.
- The weighted average credit quality is expected to maintain a minimum rating of "B" using either Moody's or Standard and Poor's credit ratings.

The ERS's exposure to credit risk as of June 30, 2008 is as follows (in thousands):

Quality Rating *	Collateralized Mortgage Obligations	U.S. Government Agency Obligations	Corporate Bonds
Aaa	$ 22,956	$ 643,207	$ 35,093
Aa	66		56,688
A	1,662		144,812
Baa	5,749		152,548
Ba	407		36,019
B			63,041
Caa			10,799
D			529
Not rated	300		22,549
Fair Value	$ 31,140	$ 643,207	$ 522,078

* Moody's bond rating

The ERS's investment in a short-term money market mutual fund was rated AAAm by Standard & Poors Investors Service.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a ERS's investments in a single issuer. There is no single issuer exposure within the ERS's portfolio that comprises 5% of the overall portfolio and, therefore, there is no concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2008 all securities were registered in the name of the ERS (or in the nominee name of its custodial agent) and were held in the possession of the ERS's custodial bank, State Street Bank and Trust.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk and the ERS's investment asset allocation policy targets non-US equity investments at 20%. The ERS may enter into foreign currency exchange contracts to

minimize the short-term impact of foreign currency fluctuations on foreign investments. The ERS's exposure to foreign currency risk at June 30, 2008, was as follows (in thousands):

Currency	Currency	Equities	Private Equity	Total
Australian Dollar	$ 560	$ 84,595	$	$ 85,155
Canadian Dollar	728	63,088	8,706	72,522
Danish Krone	188	3,404		3,592
Euro Currency	3,524	430,431	91,405	525,360
Hong Kong Dollar	549	42,729		43,278
Hungarian Forint	21	69		90
Indonesian Rupiah	356	2,361		2,717
Japanese Yen	2,290	256,072		258,362
Malaysian Ringitt	231	6,138		6,369
Mexican Peso	16			16
New Zealand Dollar	201	3,987		4,188
Norwegian Krone	185	3,967		4,152
Pound Sterling	996	212,210		213,206
Singapore Dollar	452	17,643		18,095
South African Rand	279	4,794		5,073
South Korean Won	291	17,142		17,433
Swedish Krona	509	14,968	1,358	16,835
Swiss Franc	963	70,262		71,225
Thailand Baht	143	5,732		5,875
Total	$ 12,482	$ 1,239,592	$ 101,469	$ 1,353,543

The ERS also had exposure to foreign currency risk though its investment in international equity commingled funds which totaled $190,306,000.

Derivatives and Other Similar Investments

Some of the ERS's investment managers are allowed to invest in certain derivative type transactions, including forward foreign currency transactions, futures contracts, and options. Derivatives and other similar investments are financial contracts whose value depends on the values of one or more underlying assets, reference rates, or financial indexes. The ERS enters into these transactions to enhance performance, gain exposure to a specific market, or mitigate specific risks. According to investment policy guidelines, derivative type instruments may be used for hedging purposes and not for leveraging plan assets.

Forward foreign currency contracts – The ERS enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. A currency forward is a contractual agreement to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. These contracts involve risk in excess of the amount reflected in the ERS's Statements of Fiduciary Net Assets. The face or contract amount in U.S. dollars reflects the total exposure the ERS has in that particular currency contract. By policy, no more than 25% of actively managed foreign equity securities (at fair value) may be hedged into the base currency (US Dollars). The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation

service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Futures contracts – The ERS uses futures to manage its exposure to the stock, money market, and bond markets and the fluctuations in interest rates and currency values. Buying futures tends to increase the ERS's exposure to the underlying instrument. Selling futures tends to decrease the ERS's exposure to the underlying instrument, or hedge other ERS investments. Losses may arise from changes in the value of the underlying instruments, if there is an illiquid secondary market for the contracts, or if the counterparties do not perform under the contract terms.

Through commingled funds, the ERS also indirectly holds derivative type instruments, primarily equity index futures. Other types of derivative type instruments held by the commingled funds include purchased or written options, forward security contracts, forward foreign currency exchange contracts, interest rate swaps and credit default swaps.

The ERS invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities. Additional information regarding interest rate risks for these investments is included in *Interest Rate Risk*.

The ERS may sell a security they do not own in anticipation of a decline in the fair value of that security. Short sales may increase the risk of loss to the ERS when the price of a security underlying the short sale increases and the ERS is subject to a higher cost to purchase the security in order to cover the position.

Securities Lending

Policies of the State Investment Commission permit the ERS to enter into securities lending transactions. The ERS has contracted with State Street Bank & Trust Company (SSB) as third party securities lending agent to lend the ERS's debt and equity securities for cash, securities and sovereign debt of foreign countries as collateral at not less than 100% of the market value of the domestic securities on loan and at not less than 100% of the market value of the international securities on loan. In practice, securities on loan are collateralized at 102%. There are no restrictions on the amount of loans that can be made. The contract with the lending agent requires them to indemnify the ERS if the borrowers fail to return the securities. Either the ERS or the borrower can terminate all securities loans on demand. The cash collateral received on security loans was invested in the lending agent's short-term investment pool. At June 30, 2008 the investment pool had a weighted average maturity of 33.36 days and an average final maturity of 77.53 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The ERS is not permitted to pledge

or sell collateral securities received unless the borrower defaults. There were no losses during the fiscal year resulting from default of the borrowers or lending agent.

At June 30, 2008, management believes the ERS has no credit risk exposure to borrowers because the amounts the ERS owes the borrowers do not exceed the amounts the borrowers owe the ERS. The securities on loan at year-end were $1,141,668,086 (fair value), and the collateral received for those securities on loan was $1,173,504,899 (fair value).

Private Purpose Trust

The private purpose trust had investments of $2,175,000 in the Fidelity Balanced Fund.

Note 3. Receivables

Receivables at June 30, 2008 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Allowance for Uncollectibles	Total Receivables
Governmental Activities:						
General	$ 289,720	$ 216,521	$	$	$ (148,084)	$ 358,157
Intermodal Surface Transportation	15,775	9		1,000	(3,658)	13,126
Other governmental	43,371	868			(1,577)	42,662
Internal Service		2,685				2,685
Total - governmental activities	$ 348,866	$ 220,083	$	$ 1,000	$ (153,319)	$ 416,630
Amounts not expected to be collected in the subsequent year and recorded as deferred revenue						
General	$ 9,979	$ 12,923				
Business-type activities:						
State Lottery	$	$ 4,745	$	$	$ (239)	$ 4,506
Convention Center		1,311			(394)	917
Employment Security	49,449	10,885			(10,481)	49,853
Total - business-type activities	$ 49,449	$ 16,941	$	$	$ (11,114)	$ 55,276
Component Units	$	$ 98,956	$ 33,335	$ 3,312,392	$ (84,385)	$ 3,360,298

Component Units

Loans receivable of the R.I. Housing and Mortgage Finance Corporation are secured by a first lien on real and personal property and, in some instances, are federally insured. Loans receivable of the R.I. Student Loan Authority are insured by the R.I. Higher Education Assistance Authority, which in turn has a reinsurance agreement with the federal government. The R.I. Clean Water Finance Agency provides loans to municipalities, sewer commissions, or wastewater management districts in the State for constructing or upgrading water pollution abatement projects.

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables, as of June 30, 2008, are the result of operations and expected to be reimbursed within the fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable
Governmental Funds		
Major Funds		
General Fund	$ 2,676	$
Intermodal Surface Transportation Fund	5,585	
GARVEE		931
Other		
Bond Capital		11,706
RI Temporary Disability Insurance		1,658
COPS	71	
RI Capital Plan	6,860	
Permanent School	1,153	
Total Other	8,084	13,364
Total Governmental	16,345	14,295
Proprietary Funds		
Enterprise		
RI Lottery		1,674
RI Convention Center Authority		1,500
Employment Security Trust Fund		526
Total Enterprise		3,700
Internal Service		
Assessed Fringe Benefits		561
Central Utilities	313	
Energy Revolving		1,339
Central Mail	90	
State Telecommunications		16
Central Pharmacy	1,338	
Central Laundry	175	
Automotive Maintenance		124
Central Warehouse		38
Correctional Industries	237	
Health Insurance Active	39	
Records Center		8
Health Insurance Retiree	1,751	
Vehicle Replacement Revolving Loan		207
Total Internal Service	3,943	2,293
Totals	$ 20,288	$ 20,288

Note 5. Capital Assets

The capital asset activity of the reporting entity consists of the following (expressed in thousands):

Primary Government

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 338,987	$ 2,949	$ (29)	$ 341,907
Works of Art	135	104		239
Intangibles	111,537	25,099	(126)	136,510
Construction in progress	597,005	193,367	(13,306)	777,066
Total capital assets not being depreciated	1,047,664	221,519	(13,461)	1,255,722
Capital assets being depreciated:				
Land improvements	3,700			3,700
Buildings	520,733	1,936	(5,420)	517,249
Building Improvements	208,342			208,342
Furniture and equipment	220,661	9,980	(5,715)	224,926
Intangibles	8,428			8,428
Infrastructure	2,052,745	11,260		2,064,005
Total capital assets being depreciated	3,014,609	23,176	(11,135)	3,026,650
Less accumulated depreciation for:				
Land improvements	2,707	185		2,892
Buildings	170,983	18,349	(3,406)	185,926
Building Improvements	126,361			126,361
Furniture and equipment	158,485	18,692	(5,159)	172,018
Intangibles	1,603	1,628		3,231
Infrastructure	997,660	68,052		1,065,712
Total accumulated depreciation	1,457,799	106,906	(8,565)	1,556,140
Total capital assets being depreciated, net	1,556,810	(83,730)	(2,570)	1,470,510
Governmental activities capital assets, net	$ 2,604,474	$ 137,789	$ (16,031)	$ 2,726,232

The current period depreciation was charged to the governmental functions on the Statement of Activities as follows:

General government	$ 8,526
Human services	7,109
Education	2,907
Public safety	12,112
Natural resources	3,801
Transportation	72,451
Total depreciation expense - governmental activities	$ 106,906

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 45,558	$	$	$ 45,558
Construction in progress	25,142	48,862	(72,436)	1,568
Total capital assets not being depreciated	70,700	48,862	(72,436)	47,126
Capital assets being depreciated:				
Buildings	161,266	2,037		163,303
Machinery and equipment	13,059	70,406	(70)	83,395
Total capital assets being depreciated	174,325	72,443	(70)	246,698
Less accumulated depreciation	76,263	9,027	(62)	85,228
Total capital assets being depreciated, net	98,062	63,416	(8)	161,470
Business-type activities capital assets, net	$ 168,762	$ 112,278	$ (72,444)	$ 208,596

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land *	$ 95,016	$ 8,299	$ (954)	$ 102,361
Construction in progress	579,567	221,706	(274,148)	527,125
Total capital assets not being depreciated	674,583	230,005	(275,102)	629,486
Capital assets being depreciated:				
Buildings	1,138,754	205,503	(249)	1,344,008
Land improvements *	154,168	12,419		166,587
Machinery and equipment *	279,212	21,919	(5,961)	295,170
Intangibles		4,100		4,100
Infrastructure	339,906	27,337		367,243
Total capital assets being depreciated	1,912,040	271,278	(6,210)	2,177,108
Less accumulated depreciation for:				
Buildings	437,205	46,242	(760)	482,687
Land improvements *	86,675	8,465		95,140
Machinery and equipment *	170,364	19,624	(5,347)	184,641
Intangibles		615		615
Infrastructure	103,737	6,736		110,473
Total accumulated depreciation	797,981	81,682	(6,107)	873,556
Total capital assets being depreciated, net	1,114,059	189,596	(103)	1,303,552
Total capital assets, net	$ 1,788,642	$ 419,601	$ (275,205)	$ 1,933,038

* Certain beginning balances have been restated, see Note 18, Section C.

Note 6. Long-Term Obligations

Long-term obligations include bonds, notes and loans payable, obligations under capital leases, compensated absences, and other long-term liabilities.

A. Bonds Payable

At June 30, 2008, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units	
	Governmental Activities		Business Type Activities			
	Principal	Interest	Principal	Interest	Principal	Interest
2009	$ 104,069	$ 104,672	$ 9,285	$ 13,853	$ 142,153	$ 170,542
2010	93,349	100,064	9,740	13,408	99,132	164,856
2011	88,075	95,691	10,205	12,938	99,555	160,656
2012	101,920	91,243	10,720	12,431	102,399	153,828
2013	111,335	85,838	11,260	11,895	122,316	148,920
2014 - 2018	504,750	352,209	64,255	50,507	592,639	680,816
2019 - 2023	371,255	252,365	81,355	33,183	640,557	529,398
2024 - 2028	111,210	178,337	35,670	16,918	587,847	381,135
2029 - 2033	168,260	152,227	25,820	8,711	597,490	243,937
2034 - 2038		116,156	12,650	1,161	615,245	123,426
2039 - 2043	371,700	92,925			286,645	31,570
2044 - 2048					52,355	7,422
2049 - 2053	197,006	2,637,174			3,705	148
	$ 2,222,929	$ 4,258,901	$ 270,960	$ 175,005	$ 3,942,038	$ 2,796,654

Primary Government

Governmental Activities

Current interest bonds of the State are serial bonds with interest payable semi-annually and multi-modal variable rate demand bonds. Capital appreciation bonds are designated as College and University Savings Bonds. The accreted interest is recognized as a current year expense in the governmental activities on the statement of activities. These bonds mature through 2009 with interest payable with each principal payment.

In July 2007, the State issued $46,570,000 Consolidated Capital Development Loan of 2008, Refunding Series A, with interest rates ranging from 4.00% to 5.00%, maturing from 2009 through 2014. The proceeds were used to advance refund $47,305,000 1998A Refunding Series. The net proceeds from the sale of the refunding bonds were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service of the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the Statement of Net Assets. The refunding decreases total debt service payments over the next 7 years by $1,719,994 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,703,927.

Included in the current interest bonds is $14,165,000 of general obligation multi-modal variable rate demand bonds maturing in fiscal year 2020. These bonds were initially issued in the weekly rate mode but can be changed by the issuer (the State) to a daily, commercial paper or term rate mode. The interest rate is determined either weekly or daily based on the mode; interest is paid monthly. The owners of the bonds in a weekly mode can require the State (acting through its remarketing and tender agents) to repurchase the bonds. The remarketing agent is authorized to use its best efforts to resell any purchased bonds by adjusting the interest rate offered. The State has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a commercial bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 37 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. This agreement has been extended through December 15, 2015. The State is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus 1/2 of 1 percent, whichever is higher. The standby bond purchase agreement remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank. These bonds were refunded subsequent to June 30, 2008.

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents ($.02) per gallon of the thirty cents ($.30) per gallon Motor Fuel Tax. The bonds provide the state matching funds for the Grant Anticipation Revenue Vehicle Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The RIEDC has no taxing power. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

Revenue bonds of the R.I. Refunding Bond Authority (RIRBA) are secured by lease rentals payable by the State pursuant to lease agreements relating to projects financed by the authority and leased to the State. Proceeds from the RIRBA bonds have been used (1) to loan funds to the State to affect the advance refunding of general obligation bonds issued by the State in 1984; (2) to finance construction and renovation of certain buildings, and (3) to finance acquisition of equipment used by various State agencies.

The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued $882,395,742 of Tobacco Asset Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent decree and final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and do not constitute a general, legal, or moral obligation of the State or any political subdivision thereof and the State has no obligation or intention to satisfy any deficiency or default of any

payment of the bonds. The TSFC has not taxing power. The TSFC 2007 bonds are capital appreciation bonds on which no periodic interest payments are made, but which are issued at a deep discount from par and accrete to full value at maturity in the year 2052. The bond indenture contains "Turbo Maturity" provisions, whereby the corporation is required to apply 100% of all collections that are in excess of the then current funding requirements of the indenture to the early redemption of the bonds. During the year ended June 30, 2008, TSFC utilized $16,620,000 of excess collections to early redeem an equal amount of outstanding bonds

At June 30, 2008 general obligation bonds authorized by the voters and unissued amounted to $275,016,000. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved unless extended by the General Assembly.

Business Type Activities

The R.I. Convention Center Authority (RICCA) is limited to the issuance of bonds or notes in an aggregate principal amount of $305,000,000. At June 30, 2008, outstanding bond and note indebtedness totaled $272,100,000.

Revenue bonds of RICCA were issued to (a) refund bonds and notes, (b) pay construction costs, (c) pay operating expenses, (d) pay interest on revenue bonds prior to completion of construction, (e) fund a debt service reserve, (f) pay costs of issuance and (g) acquire and renovate the Civic Center. The revenue bonds are secured by all rents receivable, if any, under a lease and agreement between the RICCA and the State covering all property purchased by the RICCA. It also covers a mortgage on facilities and land financed by the proceeds of the revenue bonds and amounts held in various accounts into which bond proceeds were deposited. Minimum annual lease payments by the State are equal to the gross debt service of RICCA. In the event of an operating deficit (excluding depreciation), annual lease payments may be increased by the amount of the deficit. The obligation of the State to pay such rentals is subject to and dependent upon annual appropriations of such payments being made by the Rhode Island General Assembly for such purpose. Those appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources.

During November 2001, the RICCA issued Refunding Revenue Bonds, 2001 Series A (the bonds), in the aggregate principal amount of $101,315,000. The bonds may bear interest at Daily Rates, Weekly Rates, or Term Rates, as defined in the Bond Resolution adopted by the RICCA on October 18, 2001, for periods selected from time to time by the RICCA and determined by UBS Painewebber, Inc. (UBS), as Remarketing Agent under the Remarketing Agreement (the Agreement) dated November 6, 2001. In addition, the RICCA may convert the bonds to fixed rate bonds. The bonds initially bear interest at the weekly rate as determined by UBS and are payable in monthly installments. Total interest paid to the bondholders for the years ended June 30, 2008 was $2,088,000. The bonds mature in varying installments through May 15, 2027; $59,210,000 of these bonds remain outstanding at June 30, 2008.

Concurrent with the issuance of the 2001 Series A Refunding Revenue Bonds, the RICCA entered into an interest rate swap agreement (the Swap Agreement) with UBSAG, Stamford Branch (UBSAG). Under the terms of the Swap Agreement, the RICCA agrees to pay to UBSAG a fixed interest rate of 3.924% on the outstanding principal amount of the Bonds each May 15th and November 15th through May 15, 2027. In exchange, UBSAG agrees to pay to the RICCA interest at the Weekly Rate on a monthly basis through May 15, 2027. The Swap Agreement contains a barrier option early termination date of November 15, 2006 and every fixed rate payment due date thereafter. In addition, UBSAG has the right, but not the obligation, on providing 30 calendar days notice prior to the early termination date, to terminate the Swap Agreement if the averaged Weekly Rate has exceeded 5.25% per annum within the preceding 180 days. Such termination shall not require the consent of the RICCA and no fees, payments or other amounts shall be payable by either party in respect of this termination. Total interest paid by the RICCA to UBSAG for the years ended June 30, 2008 under the Swap Agreement was $2,403,000. Total interest received by the RICCA from UBSAG for the years ended June 30, 2008 under the Swap Agreement was $1,834,000. By entering into the Swap Agreement, the RICCA converted variable rate bonds to fixed rate bonds to minimize interest rate fluctuation risk. At June 30, 2008, the fair value of RICCA's liability for the interest rate swap was approximately $3,771,000.

Concurrently, the RICCA entered into a standby bond purchase agreement with Dexia Credit Local (Dexia). Under the terms of the standby bond purchase agreement, Dexia agrees from time to time during the commitment period, as defined by the standby bond purchase agreement, to purchase bonds from the RICCA that bear interest at variable rates. The purchase price shall not exceed the aggregate amount of principal and interest outstanding on said bonds at the time of purchase. Under the terms of the standby bond purchase agreement, Dexia agrees to purchase the bonds when notified by U.S. Bank (the Bonds' paying agent).

The termination date of the standby bond purchase agreement is the later of November 1, 2011 or when all principal and interest on any bonds purchased by Dexia have been paid in full. Under the terms of the standby bond purchase agreement, the RICCA is obligated to pay a fee equal to .165% per annum of the outstanding bond principal and interest. Fees paid by the RICCA for the years ended June 30, 2008 totaled $104,000. Subsequent to June 30, 2008, $58,410,000 of the $59,210,000 2001 Series A Refunding Revenue Bonds outstanding as of June 30, 2008 was tendered to Dexia pursuant to the standby purchase agreement.

Outstanding indebtedness on the 2001 Series A Refunding Revenue bonds is insured under a financial guaranty insurance policy with Municipal bond Insurance Association, Inc. (MBIA) In June 2008, MBIA's rating was downgraded by Standard & Poor's and Moody's Investors Service to AA and A2 respectively. In addition, UBS, the Authority's Remarketing Agent, has exited the municipal bond market. The combination of these factors and the current condition of the financial markets caused management to investigate alternative financing options with respect to the 2001 Series A Refunding Revenue Bonds.

In July 2008, the authorized the issuance of refunding revenue bonds to refund the 2001 Series A Refunding Revenue bonds and terminate the Swap Agreement. In March 2009, the Convention Center Authority issued $71,220,000 of Refunding Revenue bonds for the purpose of refunding the Authority's outstanding Variable Rate Refunding Revenue Bonds 2001 Series A, and to finance an associated swap termination payment, debt service reserve fund and the costs of issuance.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years beginning in 2009 through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of RICCA at amounts ranging from 100% to 102% of the principal balance.

Each of the RICCA's Bond Resolutions contains certain restrictive covenants. The RICCA was unable to fund the Renewal and Replacement component to the restrictive covenants pursuant to certain indentures. During the annual budget process, the RICCA requests Renewal and Replacement funding from the State. Such appropriations were not made during FY08.

See Note 12 for information concerning contingent liabilities relating to "Moral Obligation" bonds.

Component Units

Revenue bonds of the University of Rhode Island (URI), Rhode Island College (RIC), and Community College of Rhode Island (CCRI) were issued under trust indentures and are collateralized by a pledge of revenues from the facilities financed. The facilities include housing, student union (including bookstores) and dining operations. Under terms of the trust indentures, certain net revenues from these operations must be transferred to the trustees for payment of interest, retirement of bonds, and maintenance of facilities. The bonds are payable in annual or semi-annual installments to various maturity dates. Revenue bonds also include amounts borrowed under a loan and trust agreement between the R.I. Health and Educational Building Corporation (RIHEBC) and the Board of Governors for Higher Education acting for URI, RIC, and CCRI. The agreement provides for RIHEBC's issuance of the bonds with a loan of the proceeds to the university and colleges and the payment by the university and colleges to RIHEBC of loan payments that are at least equal to debt service on the bonds. The bonds are secured by a pledge of revenues of the respective institutions.

Bonds of the R.I. Housing and Mortgage Finance Corporation (RIHMFC) are special obligations of RIHMFC, payable from the revenue, prepayments and all the funds and accounts pledged under the various bond resolutions to the holders of the bonds. The proceeds of the bonds were generally used to acquire mortgage loans which are secured principally by a first lien upon real property and improvements.

The R.I. Student Loan Authority issued tax exempt Student Loan Revenue Bonds that are secured by eligible student loans, the monies in restricted funds established by the trust

indenture and all related income. The proceeds of the issuance and operating cash were used to refund bonds and to originate and purchase eligible student loans.

The R.I. Economic Development Corporation (RIEDC) has bonds outstanding referred to as Airport Revenue Bonds. They were issued to finance the construction and related costs of certain capital improvements at T.F. Green State Airport. The proceeds of the bonds were loaned to the R.I. Airport Corporation, a subsidiary and component unit of RIEDC. The remainder of bonds outstanding comprise the financing to purchase land and make land improvements at Island Woods Industrial Park in Smithfield, R.I. and to acquire land, make improvements and renovations of a building and parking lot (The Fleet National Bank Project).

In June 2006, the R.I. Airport Corporation (RIAC), RIEDC and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to $42,000,000 with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998. The purpose of the Agreement is to reimburse RIEDC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the Intermodal Facility Project. RIAC is permitted under the agreement to make requisitions of funds for eligible project costs and it is anticipated that such requisitions will occur through fiscal year 2011. Upon completion of the project, RIAC will begin making monthly payments of principal and interest, with interest at a rate of 5.26%. Payments will be made on behalf of RIEDC (the borrower per the Agreement) and it is anticipated that repayments will commence in fiscal year 2010 with a final maturity of January 2042. Such repayments are payable solely from the net revenues derived from the Intermodal Facility. As of June 30, 2008, RIAC had $83,000 in borrowings under this agreement.

During the year ended June 30, 2008, the Airport Corporation issued $18,030,000 of revenue bonds with an average interest rate of 4.492% to advance refund $18,060,000 of revenue bonds with an average interest rate of 5.081%. The Airport Corporation advance refunded these bonds to reduce its total debt service payments over the next 10 years by approximately $717,000 and obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of approximately $597,000. The reacquisition price exceeded the carrying amount of the old debt by $539,126. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The proceeds of the refunding were used to purchase U.S. Government securities which were deposited into an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. As of June 30, 2008, $60,225,000 of outstanding refunding bonds, including prior year refundings, are considered defeased.

In April 2004, the Narragansett Bay Commission (NBC) issued Multi-Modal Revenue Bonds, 2004 Series A in the principal amount of $70,000,000 maturing September 2034. These bonds have been issued in weekly rate mode but can be changed by NBC to a daily, commercial paper or term rate mode. The interest rate is determined weekly or daily based on the mode and interest is paid monthly. The interest rate for the bonds outstanding

during fiscal year 2007 ranged from 3.2% to 4.0%. The owners of the bonds in weekly mode can require NBC (acting through its remarketing and lender agents) to repurchase the bonds. The remarketing agent has agreed to use its best efforts to remarket any purchased bonds.

NBC has entered into a standby bond purchase agreement (liquidity facility) with the tender agent and a European bank (the bank). The remarketing agent is required to offer for sale all bonds properly tendered for purchase. In the event the remarketing agent is unable to remarket tendered bonds, the standby bond purchase agreement provides that the bank agrees to purchase any bonds from time to time in an amount not to exceed the principal amount plus accrued interest up to 183 days at an interest rate not to exceed 12% per annum, subject to the terms and provisions of the liquidity facility. NBC is required to pay the bank at an interest rate based on its prime lending rate or the federal funds rate plus ½ of 1 percent, whichever is higher. The standby bond purchase agreement remains in effect until the payment in full of the principal and interest on all bonds purchased by the bank. The standby bond purchase agreement terminates on April 29, 2009 and carries a fee of 0.18% per annum on the amount available.

The proceeds of the revenue bonds of the R.I. Clean Water Finance Agency provide funds to make low interest loans to municipalities in the State and quasi-state agencies to finance or refinance the costs of construction or rehabilitation of water pollution abatement projects.

Bonds of the R.I. Water Resources Board Corporate were issued to provide financing to various cities, towns, private corporations and companies engaged in the sale of potable water and the water supply business.

The $80,000,000 of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority is limited by mortgage balances that it has insured, $4,000,000 at June 30, 2008 (See Note 18B). The insured mortgages are guaranteed by the State. Subsequent to June 30, 2008 the authorization was reduced to $20,000,000 by the General Assembly.

URI entered into an interest rate swap for its currently outstanding Auxiliary Enterprise Revenue Issue, Series 2004B. The purpose of the swap was to lower the cost of funds. URI pays the bondholders a variable rate set weekly. Based on the swap agreement, URI pays interest at a variable rate based on the bonds and a) a fixed rate on the swap equal to 3.691% and b) in return URI receives the sum of (i) 67.0% of the one month USD-LIBOR-BBA plus (ii) 0.12%. The one month USD-LIBOR-BBA plus 0.12% is a variable rate designed to offset the variable rate paid to the bondholders, thereby establishing a synthetic fixed rate for the bonds. All payments under the swap agreement are netted and paid on a monthly basis each month on the fifteenth (15^{th}), commencing on January 15, 2005. As further defined in the Confirmation to the swap agreement, the Board of Governors of Higher Education is acting for URI. Subject to cash settlement, URI has the right to terminate the agreement, in whole or in part, on the effective date and on any business day thereafter. The swap is scheduled to terminate on September 15, 2034.

Because interest rates have declined and tax-exempt and taxable ratios have remained high since execution of the swap, the swap, if it were to be terminated, had a negative fair market value ($1,397,697) at June 30, 2008. Swaps are not normally valued through exchange-type markets with easily accessible quotation systems and procedures. The fair market value was calculated using the zero coupon method. Information was obtained from generally recognized sources with respect to quotations, reporting specific transactions and market conditions and based on accepted industry standards and methodology.

As the variable rate that URI pays on its bonds, which approximates the Bond Market Association Municipal Swap Index, differs from the variable percent of LIBOR rate received from Merrill Lynch Capital Services (MLCS), the swap exposes URI to basis risk. As of June 30, 2008, the Bond Market Municipal Swap Index was 1.55% whereas 67.0% of the 1 month LIBOR plus 0.12% was 1.65%.

As of June 30, 2008, URI was exposed to credit risk because the swap had a negative fair value. MLCS is unconditionally guaranteed by Merrill Lynch & Co. and has maintained its ratings since inception of AA3, A+ and AA- by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. Additionally URI has obtained swap insurance on this transaction from Ambac Assurance Corporation. To mitigate credit risk, if the counterparty's credit quality falls below a threshold level, the counterparty is obligated, on demand of URI, to provide and maintain collateral (cash or U.S. Government and Agency Securities) having certain values required by the swap in order to provide security for payment of the positive value of the swap, if any, to URI.

In November 2008, URI refunded the Series 2004B bonds and financed the termination of the swap agreement with the proceeds of the Series 2008 A and B bonds (see Note 19 Subsequent Events).

B. Notes Payable

Notes payable (expressed in thousands) at June 30, 2008 are as follows:

Primary Government	
Agricultural Land Preservation Commission 2 installments on or before July 2009	$ 2,276
Less: current payable	(1,860)
	$ 416
Component Units	
Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024.	$ 1,849
R.I. Housing and Mortgage Finance Corporation bank notes, 2.46% to 5.275% interest, payable through 2027.	37,081
R.I. Economic Development Corporation (Masonic Temple Hotel) semi-annual installments of principal and interest through FY 2010 bearing interest at 6.10%.	9,775
R.I. Student Loan Authority note to National Education Loan Network (Nelnet) annual payments of $683,333 plus interest of 8.25% with option to pay off the balance at any time, matures September 27, 2011	3,415
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 4.15% interest, payable through 2015	702
R.I. Resource Recovery Corporation notes due in installments through 2010, 5 % interest.	1,250
	54,072
Less: current payable	(43,292)
	$ 10,780

C. Loans Payable

Component Units

Loans payable include liabilities of the Narragansett Bay Commission (NBC) to the R.I. Clean Water Finance Agency (RICWFA) of $269,027,000.

D. Obligations Under Capital Leases

Primary Government

The State has entered into capital lease agreements, Certificates of Participation (COPS), with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets.

The State's obligation under capital leases at June 30, 2008 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds.

Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

In December 2007, the State issued $59,183,000 of refunding Certificates of Participation to advance refund $60,435,000 of outstanding capital leases. Interest rates on the new capital leases range from 3.30% to 5.00% with maturities through fiscal year 2021. This in-

substance defeasance resulted in an economic gain of approximately $2,429,000 and total debt service requirements were reduced by approximately $2,963,000.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2008.

Fiscal Year Ending June 30	COPS
2009	$ 32,048
2010	31,291
2011	26,128
2012	24,835
2013	23,743
2014 - 2018	98,043
2019 - 2023	64,196
2024 - 2028	16,400
Total future minimum lease payments	316,684
Amount representing interest	(80,624)
Present value of future minimum lease payments	$ 236,060

E. Compensated Absences

State employees are granted vacation and sick leave in varying amounts based upon years of service. At the termination of service, the employee is paid for accumulated unused vacation leave. Also, the employee is entitled to payment of a percentage of accumulated sick leave at retirement. The State calculates the liability for accrued sick leave for only those employees that are eligible for retirement. Payment is calculated at their then-current rate of pay.

The compensated absences liability attributable to the governmental activities will be liquidated in the applicable fund as the sick and vacation time is discharged. Upon termination the applicable amount owed will be paid out of the Assessed Fringe Benefit Fund, an internal service fund.

F. Other Long-Term Liabilities

Items in this category include, but are not limited to, income on invested general obligation bond proceeds, determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the bond issuance date. Retainage payable is also included since the related construction projects are not expected to be completed in the subsequent fiscal period. Other long-term liabilities include a tax carry-over credit for a large corporation determined to be a long-term liability and the State's estimated liability for the Station Fire litigation (see Note 12 – Contingencies).

In July 2007, the State entered into a payment agreement with the Rhode Island Economic Development Corporation (EDC) relating to $14,280,000 of financing obtained by EDC to provide funds to extinguish historic structure tax credits for the Masonic Temple hotel project through a long term loan to the developer. With the transaction the State retired approximately $21 million of unused historic tax credit obligations resulting in a net benefit to the State of approximately $7 million. The term of EDC's borrowing is 3 years. The rate on the loan is a function of the 6 month LIBOR. To obtain a fixed rate on the obligation, the EDC entered into a floating to fixed interest rate swap, whereby the counterparty agrees to pay EDC the 6 month LIBOR and EDC agrees to pay the counterparty 6.10%. EDC's note payable is secured by an assignment of a payment agreement between the State and EDC reflecting legislative approval of EDC executing this debt and the State's obligation to appropriate to EDC funds sufficient to repay the debt. The State will provide semi-annual appropriations and payments to EDC through FY 2010 to pay the debt service on the loan.

The State entered into a loan agreement with the Rhode Island Housing and Mortgage Finance Corporation to provide financing for various affordable housing initiatives. At June 30, 2008 there was $18,152,000 outstanding under the loan agreement.

G. Changes in Long-Term Debt

During the fiscal year ended June 30, 2008, the following changes (expressed in thousands) occurred in long-term debt:

Primary Government

	Balance July 1	Additions	Reductions	Balance June 30	Amounts Due Within One Year	Amounts Due Thereafter
Governmental activities						
General obligation bonds payable:						
Current interest bonds	$ 913,367	$ 178,325	$ (94,613)	$ 997,079	$ 54,545	$ 942,534
Capital appreciation bonds	118		(109)	9	9	
Accreted interest on capital appreciation bonds	3,046	667	(3,403)	310	310	
Premium and deferred amount on refunding	31,800	3,040	(3,719)	31,121		31,121
	948,331	182,032	(101,844)	1,028,519	54,864	973,655
RIEDC Grant Anticipation Bonds	313,820		(28,315)	285,505	27,475	258,030
Premium	20,799		(3,563)	17,236		17,236
RIEDC Rhode Island Motor Fuel Tax Revenue Bonds	76,290		(3,730)	72,560	3,845	68,715
Premium	1,502		(125)	1,377		1,377
Revenue bonds - RIRBA	42,710		(18,475)	24,235	18,195	6,040
Net premium/discount and deferred amount on refunding	(251)		(35)	(286)		(286)
Tobacco Settlement Asset-Backed Bonds	860,161		(16,620)	843,541		843,541
Accreted interest on TSFC bonds		11,153		11,153		11,153
Net premium/discount	(27,723)		1,394	(26,329)		(26,329)
Bonds payable	2,235,639	193,185	(171,313)	2,257,511	104,379	2,153,132
Certificates of Participation (COP)	256,865	59,185	(79,990)	236,060	21,330	214,730
Premium	6,167	703	(769)	6,101		6,101
Obligations under capital leases	263,032	59,888	(80,759)	242,161	21,330	220,831
Compensated absences	78,108	62,333	(73,005)	67,436	55,226	12,210
Net OPEB Obligation		16,112		16,112		16,112
Notes Payable		2,276		2,276	1,860	416
Other long-term liabilities	56,867	39,478	(13,206)	83,139	9,786	73,353
	$ 2,633,646	$ 373,272	$ (338,283)	$ 2,668,635	$ 192,581	$ 2,476,054
Business type activities						
Revenue bonds	$ 279,935	$	$ (8,975)	$ 270,960	$ 9,285	$ 261,675
Add: bond premium	4,224		(319)	3,905		3,905
Less: issuance discounts	(734)		101	(633)		(633)
Deferred amounts on refunding	(6,586)		679	(5,907)		(5,907)
Bonds payable	276,839		(8,514)	268,325	9,285	259,040
Other long-term liabilities	1,359		(188)	1,171	188	983
	$ 278,198	$	$ (8,702)	$ 269,496	$ 9,473	$ 260,023

H. Defeased Debt

In prior years, the State and its component units defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources, in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements. On June 30, 2008, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	$ 288,083
Certificates of Participation	21,230
R.I. Convention Center Authority	35,660
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	280,780
R.I. Economic Development Corporation	81,205
R.I. Turnpike and Bridge Authority	32,300

I. Conduit Debt

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2008 was $97,000,000, $2,420,465,710 and $868,000,000 respectively. Certain issues of conduit debt are moral obligations of the State and the current amounts outstanding are disclosed in Note 12.

Note 7. Net Assets/Fund Balances

Governmental Activities

Restricted Net Assets

The Statement of Net Assets reflects $427,588,000 of restricted net assets, of which $181,143,000 is restricted by enabling legislation. The restricted net assets that are restricted by enabling legislation are included in the Employment Insurance Program and Other categories on the Statement of Net Assets.

Unrestricted Net Assets

The detail of the unrestricted net assets of the governmental activities (expressed in thousands), is listed below.

	Governmental Activities	
Deficit	$ (1,427,537)	
General Revenue Appropriations carried forward	1,739	General revenues carried forward for original purpose
Internal Service Funds	7,593	Unrestricted balance of all Internal Service Funds
Unrestricted Net Assets	$ (1,418,205)	

The State issues debt for various purposes that does not result in the acquisition of capital assets. Included in the liabilities of the governmental activities on the Statement of Net Assets is $1,376,087,000 of such debt, which causes the above deficit.

Changes in General Fund Reserved Fund Balances

The State maintains certain reserves within the General Fund in accordance with the Constitution and General Laws. These reserves accumulate in the General Fund until withdrawn by statute or used for the intended purposes pursuant to the constitutional provisions or enabling legislation.

	Reserved Fund Balance July 1	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	$ 78,659	$ 68,579	$ (44,369)	$ 102,869
Appropriations carried forward				
General revenue	3,640	1,739	(3,640)	1,739
Departmental restricted revenue	51,777	42,413	(51,777)	42,413
Other	10,090	2,584	(10,090)	2,584
Total	$ 144,166	$ 115,315	$ (109,876)	$ 149,605

The State maintains a State Budget Reserve and Cash Stabilization Account in the general fund. Annually, 2% of general revenues and opening surplus are set aside in this account. Amounts in excess of 3% of the total general revenues and opening surplus are transferred to the R.I. Capital Plan Fund to be used for capital projects. The reserve account, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the State or in the event of an unanticipated deficit in any given fiscal year. Such appropriations must be approved by a majority of each chamber of the General Assembly.

Note 8. Taxes

Tax revenue reported on the Statement of Activities is reported net of the allowance for uncollectible amounts. Tax revenue on the Statement of Revenues, Expenditures and Fund Balances – Governmental Funds is reported net of estimated refunds, uncollectible amounts and the amount that will not be collected within one year (unavailable). The unavailable amount is reported as deferred revenue. The detail of the general revenue taxes as stated on the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is presented below (expressed in thousands):

	Governmental Funds	Statement of Activities
General Fund		
Personal Income	$ 1,073,617	$ 1,073,057
General Business Taxes:		
Business Corporations	150,469	150,892
Public Utilities Gross Earnings	99,437	99,902
Financial Institutions	1,830	1,839
Insurance Companies	67,997	68,243
Bank Deposits	1,710	1,712
Health Care Provider Assessment	53,357	54,888
Sub-total - General Business Taxes	374,800	377,476
Sales and Use Taxes:		
Sales and Use	844,197	844,544
Motor Vehicle	48,610	48,611
Motor Fuel	991	1,008
Cigarettes	114,675	114,679
Alcoholic	11,141	11,141
Sub-total - Sales and Use Taxes	1,019,614	1,019,983
Other Taxes:		
Inheritance and Gift	35,334	35,473
Racing and Athletics	2,813	2,813
Realty Transfer	10,223	10,223
Sub-total - Other Taxes	48,370	48,509
Total - General Fund	2,516,401	2,519,025
Intermodal Surface Transportation Fund		
Gasoline	135,412	135,412
Other Governmental Funds	166,272	166,272
Total Taxes	$ 2,818,085	$ 2,820,709

Note 9. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2008 are presented below (expressed in thousands):

Fund Financial Statements

	Transfers	Description
Governmental activities		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	$ 48,637	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,966	Operating assistance
Tobacco Settlement Trust	124,000	Allocation of last year ending balance
Bond Capital	6,950	Debt service and capital projects
RI Refunding Bond Authority	331	Prior year undesignated balance
Certificate of Participation	25	Support of the arts
Business-Type Activities		
Lottery	94	Support of the arts
Lottery	354,321	Net income
Employment Security	2,643	Operating assistance
Internal Service		
Assessed Fringe Benefits	55	Charges for Information Technology Services
Energy Revolving	1,339	Prior year ending balance of dissolved fund
Correctional Industries	1,250	Excess revenue
ISTEA		
Bond Capital	28,198	Infrastructure
GARVEE		
Intermodal Surface Transportation	53,175	Debt Service
Nonmajor Fund		
RI Capital Plan		
General	63,792	Statutory excess in budget reserve
General	7,770	Transfer of remaining appropriations
Bond Capital	4,928	RICAP residual balance
Tobacco Settlement Trust	23,801	Allocation of prior year ending balance
Permanent School		
Lottery	1,153	Support of education
Total Governmental Activities	724,428	
Business-Type Activities		
Convention Center		
General	31,661	Debt service
Employment Security		
Assessed Fringe Benefits	1,622	Reimbursement for State employee's unemployment compensation
Internal Service Funds		
Health Insurance Retirees		
General	1,428	
Vehicle Replacement Revolving Loan		
Tobacco Settlement Trust	6,350	Allocation of prior year ending balance
Total operating transfers	$ 765,489	

Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately $13,044,000 for the fiscal year ended June 30, 2008.

Most of the operating leases contain an option allowing the State, at the end of the initial lease term, to renew its lease at the then fair rental value. In most cases, it is expected that these leases will be renewed or replaced by other leases.

The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2008:

Fiscal Year Ending June 30	
2009	$ 11,387
2010	10,367
2011	9,149
2012	7,507
2013	6,702
2014 - 2018	22,487
2019 - 2023	2,006
Total	$ 69,605

The minimum payments shown above have not been reduced by any sublease receipts.

Note 11. Commitments

Primary Government

Commitments arising from encumbrances outstanding as of June 30, 2008 are listed below (expressed in thousands).

Major funds	
General	$ 11,439
ISTEA	209,822
GARVEE	115,635
Total major funds	336,896
Other governmental funds	20,434
Total encumbrances outstanding	$ 357,330

The primary government is committed at June 30, 2008 under various contractual obligations for infrastructure construction and other capital projects, which will be principally financed with bond proceeds and federal grants. Encumbrances within the general fund will be principally financed through appropriations of general revenue and federal and restricted revenue in succeeding fiscal years. The primary government is also committed at June 30, 2008 under contractual obligations with various service providers, which will be funded through appropriations of general revenue, and federal and restricted revenues in succeeding fiscal years.

The R.I. Economic Development Corporation (RIEDC), on behalf of the State, entered into several agreements with Providence Place Group Limited Partnership (PPG). The

agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements developed by PPG. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer, during the first 20 years only, of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) $3,680,000 in the first five years and $3,560,000 in years 6 through 20. In the year ended June 30, 2008 $3,560,000 was paid to PPG.

The R.I. Convention Center Authority (RICCA) completed the renovation of the Dunkin' Donuts Center (DDC) in November 2008. The new Guaranteed Maximum Price for the project through March 2009 totaled $65,368,402 and RICCA's remaining commitment is $886,937. Also, RICCA has entered into management contracts with vendors under which these vendors will provide various services relating to the operation of the convention center and parking garages.

In 2003, the Lottery entered into a 20-year master contract with its gaming systems provider granting them the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and amends all previous agreements between the parties.

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc., the owners of Twin River, to operate one of the State's licensed video lottery facilities. The agreement entitles UTGR, Inc. to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. At the time of the agreement, the Lottery authorized an additional 1,750 video lottery terminals to be installed at Twin River and UTGR, Inc. has agreed to invest no less than $125 million in the construction and development of its gaming facility during the first three (3) years of the agreement. UTGR, Inc. has the right and option to extend the term of the agreement for two (2) successive five (5) year periods by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if UTGR, Inc. is not in default of any major term or condition of the agreement and the full-time employee requirement at Twin River has been met.

During fiscal year 2006, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand, to continue to operate one of the State's licensed video lottery facilities. The agreement entitles Newport Grand to 26% of video lottery net terminal income at the facility. At the time of the agreement, the Lottery authorized an additional 800 video lottery terminals to be installed at Newport Grand, which has agreed to invest no less than $20 million in the construction and development of its gaming facility during the first three (3) years of the agreement. Newport Grand has the right and option to extend the term of the agreement for one (1) additional five (5) year period by giving notice to the Lottery at least ninety (90) days prior to the expiration of the agreement. The option can be exercised if Newport Grand is not in default of any major term or condition and the full-time employee requirement at Newport Grand has been met.

Component Units

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of approximately $20,121,000 which is expected to be funded from current available resources and future operations. As of June 30, 2008, RIAC was also obligated for completion of the Intermodal Facility under commitments of approximately $7,824,000.

The Narragansett Bay Commission has entered into various engineering and construction contracts for the design and improvement of its facilities as part of a capital improvement program. Commitments under these contracts aggregated approximately $25,016,000 at June 30, 2008.

A portion of the R.I. Resource Recovery Corporation (RIRRC) landfill is a designated Superfund site. During 1996, the RIRRC entered into a Consent Decree with the United States Environmental Protection Agency (EPA) concerning remedial actions taken by RIRRC for groundwater contamination. The Consent Decree requires the establishment of a trust in the amount of $27,000,000 for remedial purposes. The Central Landfill Remediation Trust Fund Agreement was approved August 22, 1996 by the EPA. In accordance with the terms of the agreement, RIRRC has deposited approximately $33,300,000 into the trust fund and has disbursed approximately $5,348,000 for remediation expenses through June 30, 2008. Additionally, trust fund earnings, net of changes in market value have totaled approximately $13,828,000

The cost of future remedial actions may exceed the amount of funds reserved. However, the RIRRC projects that the amount reserved plus cash flow over the next five years will be adequate to fund the Superfund remedy. RIRRC would seek appropriations from the General Assembly to fund any shortfall. The State, virtually every municipality in the State, and numerous businesses within and outside the State are all potentially responsible parties ("PRPs") for the costs of remedial actions at the RIRRC Superfund site. Under federal law, PRPs are jointly and severally liable for all costs of remediation. EPA has agreed not to seek contributions from any other PRP as long as RIRRC is performing the remedy.

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. In 2004, RIRRC reviewed and revised its estimates relating to methane gas monitoring as required by the EPA and leachate pretreatment costs and flows. While Phase IV is still accepting waste, portions of Phase IV have been capped with final capping expected during 2012. In 2005, RIRRC began landfilling in Phase V. RIRRC has further revised its estimates relating to capping, maintenance, leachate flow costs and gas collecting system costs of Phase IV and V. The total estimate of future landfill closure and postclosure care costs was increased to approximately $140,000,000 at June 30, 2008.

The liability for closure and postclosure care costs at June 30, 2008 of $84,847,000 is recorded in the statements of net assets, as noted below, with $55,200,000 remaining to be

recognized at June 30, 2008. The detail of the recorded liability (expressed in thousands) is listed below.

Phase V	$	28,342
Phase IV		14,168
Phases II and III		6,572
Phase I		35,765
	$	84,847

Based on the estimates of RIRRC engineers, approximately 87% and 54% of capacity for Phase IV and Phase V, respectively, has been used to date, and it is expected that full capacity will be reached during fiscal 2012 for Phase V.

RIRRC has received site approval for Phase VI from the State Planning Council. RIRRC has submitted an application for licensure of Phase VI to RIDEM. RIRRC expects to record an approximate additional $80,000,000 of closure and post closure costs based upon current costs over the anticipated life of Phase VI., once it is permitted and begins to accept solid waste.

Amounts provided for closure and postclosure care are based on current costs. These costs may be adjusted each year due to changes in the closure and postclosure care plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in restricted assets on the accompanying statement of net assets is $39,636,409 at June 30, 2008, consisting of amounts placed in trust to meet the financial requirements of closure and postclosure care costs related to Phases II, III, IV, and V. RIRRC plans to make additional trust fund contributions each year to enable it to satisfy these costs.

In 2004, RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. The present value of the estimated remaining total expenditures at June 30, 2008 relating to remediation that will be required as a result of the Consent Decree is approximately $12,000,000.

The R.I. Housing and Mortgage Finance Corporation had loan commitments of $47,476,464 under various loan programs at June 30, 2008.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2008 remaining commitments on these contracts approximated $3,540,000, primarily due in one year or less.

The R.I. Public Transit Authority is committed under construction contracts in the amount of $4,646,591 at June 30, 2008

The College Crusade of R.I. has committed $1,069,851 toward scholarships for tuition during the 2008/2009 school year. This represents approximately 314 students for an

average award of approximately $3,407 per student. As of June 30, 2008, the estimated value of the potential future scholarship costs through the year 2021 is estimated to be between $1,800,000 and $7,400,000.

The Quonset Development Corporation was obligated for the completion of certain construction contracts under commitments totaling $3,931,621 at June 30, 2008 which are expected to be funded from the receipt of State bond proceeds and internal funding.

The R.I. Industrial Recreational Building Authority has an outstanding commitment as of June 30, 2008 in the amount of $4,000,000 to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and R.I. Industrial Facilities Corporation.

The R. I. Student Loan Authority (RISLA) and the National Education Loan Network, Inc. (Nelnet) agreed on September 27, 2007 to terminate the 2004 agreement between the parties which sold and assigned certain assets and rights from RISLA to Nelnet. In the original agreement RISLA assigned to Nelnet all rights associated with the Authority's student loan origination business, including the use of the Authority's name and federal identification number, issued by the U.S. Department of Education, to market and originate federal and alternative student loans for a term of 10 years and sold to Nelnet all fixed assets and the assumption of operating liabilities. Effective September 27, 2007 RISLA hired all the personnel that had previously been employed by Nelnet in the Warwick, RI location. RISLA's June 30, 2008 operating expenses include all salaries and wages, payroll taxes and benefits for the thirty seven new employees for the period September 27, 2007 through June 30, 2008. RISLA also assumed responsibility for all costs associated with the marketing and origination of student loans and all general and administrative costs that prior to the termination date had been paid by Nelnet and reimbursed by RISLA according to the service agreement in place between the two entities.

The September 2007 termination agreement required RISLA to return to Nelnet $4.1 million of $8 million that was paid to RISLA in 2004 for the assigned rights and fixed assets. RISLA received a valuation report from a national investment banking firm which confirmed that the amount paid to Nelnet was within the range of values for the remaining term of the original agreement. RISLA also received a confirmation from a second investment banking firm that the methodology used to calculate the repurchase price of the agreement was appropriate and reasonable. RISLA will amortize the capital asset of $4.1 million over a 5 year period ending in September 2012. The amortization expense for the year ended June 30, 2008 was $615,000.

R.I. Higher Education Assistance Authority

Under an agreement with Alliance Bernstein L.P., the Administrative Fund receives account maintenance, direct commission and other fees from the Program Fund. All the Administrative Fund's operating revenues, totaling $6,277,380, are derived from the Program Fund. In addition, the R.I. Higher Education Assistance Authority (RIHEAA) receives $250,000 annually (in quarterly installments) directly from Alliance. During 2002,

RIHEAA established two scholarship and grant programs, to be funded with Rhode Island Higher Education Savings Trust (RIHEST) administrative fees, as follows:

Academic Promise Scholarship Program: up to $1,000,000 is invested annually through RIHEAA in the CollegeBoundfund for the benefit of 100 academic and income-qualified students to provide up to $10,000 to each student over a four-year scholarship period. During 2008, $325,000 was transferred to RIHEAA and RIHEAA in turn invested that amount in the CollegeBoundfund on behalf of unnamed beneficiaries. 5 and 10 Matching Grant Program: up to $500,000 may be made available annually by the Authority to invest through RIHEAA into the CollegeBoundfund as matching contribution accounts for individual accounts established for the benefit of income-qualifying individuals.

Student financial assistance transfers from the Operating Fund to the Scholarship and Grant Fund totaled nearly $6,600,000 in fiscal year 2008. These transfers consisted of $325,000 for the Academic Promise Scholarship Program, $600,000 for the Adult Education Grant Program and over $5,600,000 in supplemental funding for the State Scholarship/Grant Program.

Note 12. Contingencies

Primary Government

The State, its officers and employees are defendants in numerous lawsuits. With respect to any such litigation, State officials are of the opinion that the lawsuits are not likely to result either individually or in the aggregate in final judgments against the State that would materially affect its financial position.

Litigation has been initiated against the State and the State's Fire Marshal arising out of a tragic fire at a nightclub in West Warwick, Rhode Island. The fire resulted in 100 deaths and injuries to approximately 200 people. Numerous suits have been served upon the State and its Fire Marshal. The State has entered into a tentative settlement in the case for $10,000,000, subject to Court approval, plaintiff acceptance and legislative action. A liability has been accrued on the Statement of Net Assets for this estimated settlement.

The State has been sued by a contractor via a third party complaint relating to the construction of the I-Way Bridge spanning the Providence River (I-195). A subcontractor hired by the contractor to, among other things, drill and install twenty-one shafts to allow for the placement and erection of the I-Way Bridge. The subcontractor claims that it is entitled to compensation for extra work performed and alleged unforeseen conditions encountered during its work. The subcontractor alleges that it incurred approximately $14.5 million to complete its work on the project. The litigation is still in the discovery phase and management cannot estimate the likelihood of loss to the State, if any.

A claim has been made by the Cranston School Committee for reimbursement for sums paid for salaries of the director and guidance counselors and for the costs of building repairs to the

Cranston Area Vocational Technical Center. The School Committee contends that it is owed the amounts it paid for salaries from 1990-present and building repairs it made from 1999-present, a total of $7,166,656. The Department of Elementary and Secondary Education responded, setting forth several legal and equitable defenses on behalf of the State and the Department. The School Committee, joined by the City of Cranston, is proceeding before an administrative hearing officer to present evidence in support of this claim.

Also, a claim has been made by the Chariho Regional School Committee for reimbursement for sums paid by Chariho for salaries of the directors and guidance counselors at the Chariho Career and Technical Center from 1990-present totaling $4,142,893. The claim was received in February 2009 and assigned for an administrative hearing. A full assessment of the likelihood of an unfavorable outcome cannot be made until the matter proceeds further into the administrative hearing process.

The Department of Elementary and Secondary Education issued a final program review determination letter notifying the City of Providence of substantial overpayments in housing aid reimbursements as a result of incorrect or incomplete information provided by the City of Providence at the time that housing aid was being calculated. The alleged overpayment amount in dispute is approximately $9 million. The City of Providence requested a hearing and disputes the findings of the Department. The FY 2009 Supplemental Budget requires a seven year repayment schedule with the first payment in FY 2009.

Tobacco Settlement Financing Corporation

In 2005 and 2006, several states sued Participating Manufacturers (PM's) in their state courts seeking orders that the states diligently enforced the Master Settlement Agreement (MSA) and related statutes. All of the state courts denied the states' actions and ordered those states to arbitrate the 2003 Non-Participating Manufacturers (NPM's) Adjustment, including whether the state diligently enforced the MSA and related statutes.

Although Rhode Island did not sue the PM's, in 2006, the PM's filed in Rhode Island Superior Court a Motion to Compel the State to Arbitrate the 2003 NPM Adjustment, which the State opposed. In 2007, the Court granted the Motion to Compel Arbitration, which the State moved for reconsideration. The Court denied the State's Motion to Reconsider. The State appealed the Court's orders. In 2008, the Supreme Court of Rhode Island remanded the case for the Superior Court to rule on a Motion for a Stay. The Superior Court denied the stay and the case was returned to the Supreme Court of Rhode Island. During the appeal, the PM's and Rhode Island entered into an agreement, whereby Rhode Island would join nationwide arbitration and the PM's would release funds from the disputed account attributable to the 2005 NPM Adjustment. Rhode Island received $3,866,925 on February 26, 2009 which flowed to the TSFC. In addition, the agreement provided for a partial liability reduction for the 2003 NPM Adjustment. Arbitration will commence in the Fall of 2009.

In addition to NPM adjustment litigation, litigation has been filed alleging, among other claims, that the Master Settlement Agreement (MSA) violates provisions of the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, and state consumer protection laws. These actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. The lawsuits seek to prevent the states from collecting any monies under the MSA, and/or a determination that prevents the tobacco manufacturers from collecting MSA payments through price increases to cigarette consumers. Several class action lawsuits have been filed in jurisdictions alleging violations of state Medicaid agreements. To date, no such lawsuits have been successful. The enforcement of the terms of the MSA may continue to be challenged in the future. In the event of an adverse court ruling, the corporation may not have adequate financial resources to service its debt obligations. In April 2005, 2006, 2007, and 2008 many of the tobacco manufacturers participating in the MSA either withheld all or portions of their payments due, or remitted their payments to an escrow account, disputing the calculations of amounts due under the agreement. These manufacturers assert that the calculations of the amounts due failed to recognize a prescribed adjustment for nonparticipating manufacturers. The corporation's share of these disputed payments is approximately $12,100,000. Due to uncertainties regarding the ultimate realization of the remaining amount of these disputed payments, they have not been recognized as revenue in the accompanying financial statements. The Corporation and the other affected parties are taking actions prescribed in the MSA to arrive at a resolution of these matters.

Lottery

The Lottery’s master contracts with its video lottery facility operators contain revenue protection provisions in the event that existing video lottery facility operators incur revenue losses caused by new gaming ventures within the State.

As a result of defaulting on loan payments, UTGR, Inc., the owner and operator of Twin River, entered into a forbearance agreement with its lenders. The forbearance agreement expired on January 31, 2009 and has not been formally extended. Neither the lenders nor any other party in interest has instituted any proceedings to take action as a result of the expiration of the agreement. At the present time, all parties in interest have been engaged in negotiations aimed at continuous operation of the facility. The Department of Revenue and the Division of Lotteries are monitoring the situation on a daily basis. The Lottery has been collecting all revenues due the State each day without interruption. Management of the Department of Revenue has contingency plans to ensure continued operation of the Twin River facility.

Federal Grants

The State receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit.

The Single Audit for the State of Rhode Island for the fiscal year ended June 30, 2007 was issued in May 2008. That report identified approximately $19.0 million in questioned

costs relating to the primary government. In addition, a number of findings had potentially significant but unknown or unquantifiable questioned costs. The ultimate disposition of these findings rests with the federal grantor agencies and in most cases, resolution is still in progress. Adjustments are made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted. The fiscal 2008 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit. The State's management believes that any disallowances of federal funding received by the State will not have a material impact on the State's financial statements.

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Moneys in the capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bond holder(s). These bonds are considered "moral obligations" of the State when the General Laws require the executive director to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget. At June 30, 2008 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had $321,812,545 and $41,661,677 respectively, in "moral obligation" bonds outstanding. Certain of the RIEDC bonds are economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State anticipates paying approximately $3,355,000 of the debt on the related economic development revenue bonds in fiscal year 2009.

Component Units

R.I. Student Loan Authority

The R.I. Student Loan Authority (RISLA) maintains letters of credit in the original stated amount of $31,940,000 on its January 1995 weekly adjustable interest rate bonds and the originally stated amount of $69,203,000 on its April 1996 Series I, II and III variable rate bonds. The letters of credit obligate the letter of credit provider to pay to the trustee an amount equal to principal and interest on the bonds when the same becomes due and payable (whether by reason of redemption, acceleration, maturity or otherwise) and to pay the purchase price of the bonds tendered or deemed tendered for purchase but not remarketed. The letters of credit will expire on the earliest to occur: a) June 30, 2012, for the January 1995 and April 1996 issue; b) the date the letter of credit is surrendered to the letter of credit provider; c) when an alternative facility is substituted for the letter of credit; d) when the bonds commence bearing interest at a fixed rate; e) when an event of default has occurred or f) when no amount becomes available to the trustee under the letter of credit.

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R.I. Public Transit Authority

The R.I. Public Transit Authority has a $2,000,000 line of credit with a financial institution. The line of credit is due on demand with interest payable at a floating rate at the financial institution's base rate or fixed rate options at the financial institution's cost of funds plus 2.00%. No amount was due under this line of credit at June 30, 2008.

The College Crusade of R.I.

The College Crusade of R.I has a $1,200,000 line of credit agreement. Interest is payable monthly at the prime rate less one quarter percent, which was 4.75 % at June 30, 2008. There was an outstanding balance of $390,000 as of June 30, 2008. Total interest expense for the fiscal year ended June 30, 2008 was $15,391.

R.I. Housing and Mortgage Finance Corporation

On March 27, 2006, the Corporation executed a revolving loan agreement with Citizens Bank of Rhode Island, expiring in March 2009, whereby the Corporation may borrow up to a maximum outstanding principal sum of $20,000,000. On July 31, 2006, the Corporation executed a revolving loan agreement with Bank of America N.A., expiring in October, 2008, whereby the Corporation may borrow up to a maximum outstanding principal sum of $50,000,000. Borrowings outstanding under the revolving loans are unsecured. At June 30, 2008, $10,500,000 is outstanding under these revolving loans.

Community College of R.I.

On November 2, 2007, an arbitrator awarded two contractors involved in the construction of the Newport campus a total of $3,321,208 in damages and penalties. The Community College has appealed the arbitration award to the Rhode Island Superior Court and is awaiting a judgment on the case. In the interim, the Community College has recorded a liability and related additions to capital costs for $3,321,208.

Note 13. Employer Pension Plans

Plan Descriptions

The State, through the Employees' Retirement System (ERS), administers four defined benefit pension plans. Three of these plans; the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan and the Judicial Retirement Benefits Trust (JRBT) and the State Police Retirement Benefits Trust (SPRBT), single-employer defined benefit pension plans; cover most State employees. The State does not contribute to the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan. The ERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The

level of benefits provided to State employees and teachers, which is subject to amendment by the general assembly, is established by the General Laws as listed below. As a result of an amendment to the General Laws effective July 1, 2005, the ERS implemented a two-tiered benefit structure for members of the ERS. Members with 10 years of service as of July 1, 2005 follow the Schedule A benefit structure and all other members follow the Schedule B benefit structure. In addition to the State, there are 48 local public school entities that are members of the ERS. The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the Schedule A and Schedule B benefit structures. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the ERS are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the contributions are withheld from payroll. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Dividend income is recorded on the ex-dividend date. Investment transactions are recorded on a trade date basis. The gains or losses on foreign currency exchange contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed.

Method Used to Value Investments

Investments are recorded in the financial statements at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income securities and domestic and international stocks is generally based on published market prices and quotations from national security exchanges and securities pricing services. Other investments that are not traded on a national security exchange (primarily private equity and real estate investments) are generally valued based on audited December 31 net asset values adjusted for cash flows for the period January 1 to June 30 (which principally include additional investments and partnership distributions). Commingled funds consist of institutional domestic and international equity index funds and a short duration fixed income fund. The fair value of the commingled funds is based on the reported share value of the respective fund. Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded. Short-term investments are stated at cost, which approximates fair value.

Funding Policy and Annual Pension Cost

The State's annual pension cost (expressed in thousands) for the current year and related information for each plan is listed below.

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	20.77%	31.00%	32.07%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	8.52% and 8.97%		
Annual pension cost	$214,016	$3,720	$2,128
Contributions made - state employees	$131,560	$3,720	$2,128
Contributions made - teachers	$82,456		
Actuarial valuation date	June 30, 2005	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	24 years	24 years	24 years
Asset valuation method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.50% to 8.25%	5% to 15.00%	5.25%
Inflation	3.00%	3.00%	3.00%
Cost-of-living adjustments	Schd. A 3% compounded Schd. B 2.5% compounded	$1,500 per annum	3%
Level of benefits established by:			
General Law(s)	36-8 to 10 16-15 to 17	42-28-22.1	8-3-16, 8-8-10.1, 8-8.2-7 and 28-30-18.1

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/06	145,792	100%	$ 0
	6/30/07	188,832	100%	0
	6/30/08	214,016	100%	0
State Police Retirement Benefits Trust	6/30/06	3,175	100%	0
	6/30/07	4,039	100%	0
	6/30/08	3,720	100%	0
Judicial Retirement Benefits Trust	6/30/06	2,292	100%	0
	6/30/07	2,363	100%	0
	6/30/08	2,128	100%	0

The table below displays the funded status of each plan for the year ended June 30, 2007, the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
ERS (*State Employees*)	$ 2,493,428,522	$ 4,332,888,818	$ 1,839,460,296	57.5%	$ 660,044,273	278.7%
ERS (*Teachers*)	$ 3,737,981,686	$ 6,750,125,236	$ 3,012,143,550	55.4%	$ 959,372,837	314.0%
SPRBT	$ 45,996,910	$ 60,427,947	$ 14,431,037	76.1%	$ 15,836,354	91.1%
JRBT	$ 29,630,637	$ 35,355,326	$ 5,724,689	83.8%	$ 6,451,666	88.7%

The schedules of funding progress presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend

information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities (AAL) for benefits.

Additional information as of the June 30, 2007 actuarial valuation:

	ERS		SPRBT	JRBT
	State Employees	Teachers		
Valuation Date	6/30/07	6/30/07	6/30/07 *	6/30/07 *
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed	Level Percent of Payroll – Closed
Equivalent Single Remaining Amortization Period	22 years	22 years	22 years	22 years
Asset Valuation Method	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market	5 Year Smoothed Market
Actuarial Assumptions				
Investment Rate of Return	8.25%	8.25%	8.25%	8.25%
Projected Salary Increases	4.50% to 9.00%	4.50% to 13.25%	4.50% to 12.50%	4.50%
Inflation	3.00%	3.00%	3.00%	3.00%
Cost of Living Adjustments	Schedule A members -3.0% compounded Schedule B members – 2.5%	Schedule A members -3.0% compounded Schedule B members – 2.5%	$1,500 per annum	3.0% (see Note1(b)(4)) to the financial statements

* restated June 30, 2007 actuarial valuation

Schedule A - ERS members are those with 10 years or more of contributory service on or before July 1, 2005.

Schedule B - ERS members are those with less than 10 years of contributory service on or before July 1, 2005.

Other

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan.

Eligible employees who have reached the age of 30, and who have two (2) years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employee's gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to $14,389,235 during the year ended June 30, 2008.

The Rhode Island Public Transit Authority has a funded pension plan for all employees, for which eligibility to participate begins immediately upon employment. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of age 62 and 10 years of continuous service. Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. The plan also provides death and disability benefits. Employees are required to contribute 3% of their base salary to the plan. The remaining contributions to the plan are made by the Authority. Employer contributions paid in fiscal year 2008 totaled $5,699,331. At January 1, 2008, the most recent valuation date, the total actuarial accrued liability was $76,525,478 and the actuarial value of assets was $47,327,996. The Authority contributed 100.00% of its annual pension cost for fiscal year 2008 and had a net pension obligation of $1,799,084 at June 30, 2008.

Certain other component units have defined contribution pension and savings plans. For information regarding these pension and savings plans, please refer to the component units' separately issued financial reports.

Note 14. Other Post-Employment Benefits

Plan Descriptions. The State administers four defined benefit post-employment health care plans collectively known as the Rhode Island Retiree Health Care Benefit Plan (RIRHCBP).

Members of the Employees' Retirement System (ERS), including State employees, legislators, judges, State Police Officers, certified public school teachers and employees of certain component units, if they meet certain eligibility requirements, are eligible to receive some form of State sponsored retiree health care benefits. A summary of the principal plan provisions follows:

	State Employees and Teachers	Judges	State Police	Legislators
Plan type	Agent Multiple Employer	Sole employer	Sole employer	Sole employer
Eligibility	Members of ERS meeting eligibility criteria	Retired judges	Retired members of the State Police	Retired legislators
Plan benefits	Retiree plan for members until Medicare eligible; subsequently eligible for Medicare supplement	May purchase active employee plan for member and spouse for life	Active employee plan for member, spouse and dependants until age 65; at age 65 coverage ceases if Medicare eligible	May purchase active employee plan for member and spouse for life
Other	Retired teachers can purchase coverage for themselves and dependants at active or early retirement rate, as applicable. Members can purchase coverage for dependants at active or early retirement rate, as applicable.			

RIGL Sections 36-10-2, 36-12.1, 36-12.2.2 and 36-12-4 govern the provisions of the RIRHCBP and they may be amended in the future by action of the General Assembly.

On May 1, 2008 Public Law 2008-09 was enacted. The legislation changes the eligibility requirements for State contributions for health care coverage for those retiring on or after October 1, 2008. For anyone who retires on or after that date and has a minimum of 20 years of service and who is a minimum of 59 years of age, the State will pay 80% of the actual cost of such health care coverage. For members of the ERS who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of post-retirement health care for the retiree and any dependents above the active group rate. The retiree pays the active monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

The RIRHCBP is reported in an internal service fund of the State using the accrual basis of accounting. The fund reports all employer and retiree member contributions to the Plans. Contributions are recognized when made. Benefits (health care claims) and refunds are recognized when due and payable in accordance with the terms of the Plans. A liability for incurred but not reported claims is determined based on past claims payment trends and is included in the financial statements. Working premium rates are determined by the State each fiscal year after consultation with an employee benefits consultant and are designed to fund current claims incurred during the fiscal year as well as the costs of administering the Plans. For the year ended June 30, 2008 the Plans operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to RIRHCBP members.

Funding Policy. The contribution requirements of retiree members, the State and other participating employers are established and may be amended by the General Assembly.

As mentioned above, in fiscal year 2008 non-Medicare retiree members paid the active monthly premium rate and the State paid the difference between the active group rate and the more costly, early retiree rate (the "Tier I" benefit). Pursuant to RIGL Section 36-12-4 the State paid a portion of the cost of post-retirement health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and years of service of the retiree, which is referred to as the Tier II benefit.

The retirees' fiscal 2008 contributions for Tier II benefits were as follows:

Retiree Age	Years of Service	Amount of Cost Paid by Retiree
Below 60: (1)		
	28-34	10%
	35+	0%
Retiree Age from 60 to 65: (2)		
	10 – 15	50%
	16 – 22	30%
	23 – 27	20%
	28+	0%
Retiree Age Greater than 65: (3)		
	10 – 15	50%
	16 – 19	30%
	20 – 27	10%
	28+	0%

(1) The monthly premium rate is $708.94 for the individual plan. The retiree's cost is then calculated based on a maximum of $452.28 (the active plan rate).

(2) The monthly premium rates are the same as indicated above for the Retiree Age Below 60 category.

(3) The monthly premium rate for the Medicare Supplemental plan is $179.77 for the individual plan, and the monthly premium for the Medicare HMO plan was $100.00 for the first six months of fiscal year 2008 and $107 thereafter. Retirees can choose between the two plans. The retiree's cost is then calculated based on the years-of-service subsidy above.

In fiscal year 2008 the State and other participating employers were not required to fund the Plans other than the pay-as-you-go amount necessary to provide current benefits to retirees and administrative costs and they contributed 3.91% of covered payroll. The contributions to the State Police Plan were equal to actual claims and administrative expenses. For the fiscal year ended June 30, 2008 the State and other participating employers paid $28,377,748 into the Plans.

Annual OPEB Cost and Net OPEB Obligation. Annual OPEB cost reflected in the government-wide financial statements is equal to the annual required contribution (ARC). The amount reflected in the governmental fund financial statements is equal to the actual contributions to the plan. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the Plans over a period of 30 years. Amounts "required" but not actually set aside to pay for these benefits are accumulated as part of the Net OPEB obligation. The annual OPEB cost for the year, the amount actually paid on behalf of the Plans the changes in the net OPEB obligation and the percentage of annual OPEB cost contributed to the Plans, are as follows (dollar amounts in thousands):

	State Employees	Teachers	Judges	State Police	Legislators
Date of Actuarial Valuation	06/30/05	06/30/05	06/30/07	06/30/05	06/30/05
Annual required contribution as a percent of payroll	6.01%	N/A	11.64%	30.27%	18.63%
Annual required contribution and annual OPEB cost	$ 38,203	$ 1,428	$ 1,382	$ 4,827	$ 285
Participating State and/or other employer contributions	$ 24,854	$ 1,428	$ 464	$ 1,572	$ 60
Increase in OPEB obligation	$ 13,349	$ 0	$ 918	$ 3,255	$ 225
Net OPEB obligation at beginning of year	$ 0	$ 0	$ 0	$ 0	$ 0
Net OPEB obligation at end of year	$ 13,349	$ 0	$ 918	$ 3,255	$ 225
Actuarial accrued liability (AAL) at valuation date	$ 580,041	$ 8,477	$ 14,024	$ 51,037	$ 3,919
Funded OPEB plan assets at valuation date	$ 0	$ 0	$ 0	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL) at valuation date	$ 580,041	$ 8,477	$ 14,024	$ 51,037	$ 3,919
Funded ratio	0%	0%	0%	0%	0%
Covered payroll (in thousands)	$ 575,613	$ NA	$ 9,888	$ 13,821	1,509
UAAL as percentage of covered payroll	100.77%	NA	141.83%	369.27%	259.71%
Percentage of annual OPEB cost paid	65.06%	100.00%	33.57%	32.57%	21.05%

The table below displays the funded status of each plan as of the most recent actuarial valuation date, June 30, 2007, (in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
RIRHCBP - State Employees	$ -	$ 679,538	$ 679,538	0.0%	$ 626,145	108.5%
RIRHCBP - Teachers	$ -	$ 10,243	$ 10,243	0.0%	n/a	n/a
RIRHCBP - Judges	$ -	$ 14,024	$ 14,024	0.0%	$ 9,888	141.8%
RIRHCBP - State Police	$ -	$ 54,620	$ 54,620	0.0%	$ 15,977	341.9%
RIRHCBP - Legislators	$ -	$ 29,764	$ 29,764	0.0%	$ 1,592	1869.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of assets of the Plans are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the Plans and include the types of benefits provided at the time of each valuation. The actuarial assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation was performed as of June 30, 2005 with results projected to July 1, 2007 for the fiscal year ended June 30, 2008. The State's annual required contribution was determined using the individual entry age actuarial cost method. The State's unfunded actuarial accrued liability as of the June 30, 2005 transition date is being amortized over a period of 30 years using the level (principal and interest combined) percent of payroll (open) contribution amortization method. For judges, the June 30, 2007 valuation was used to determine the Annual Required Contribution for fiscal year 2008.

The individual entry-age actuarial cost method is used to determine the annual required contribution amounts and the annual net OPEB obligation. The actuarial assumptions include a 3.566% discount rate; an annual healthcare cost trend rate of 12% progressively declining to 4.5% after 10 years; and a salary growth rate ranging from 8.25% in year 1 to 4.75% in year 15 and beyond for State Employees and legislators, ranging from 17% in year 1 to 4.5% in year 15 and beyond for teachers, ranging from 15% in year 1 to 5% in year 15 and beyond for Police, and 5.25% in all years for judges. The discount rate of 3.566% was calculated based upon the average rate of return during the 10 years ended June 30, 2008 for short term investments of the General Fund.

The impact of Public Law 2008-09 on plan provisions and benefits has been factored into the June 30, 2005 actuarial valuation.

There were changes in actuarial assumptions in the June 30, 2007 valuation. These include changes in demographic assumptions adopted in the June 30, 2006 valuations for the Employees' Retirement System of Rhode Island, the State Police Retirement Benefits Trust, and the Judicial Retirement Benefits Trust, based on experience studies performed by the actuary for those systems. The Medicare election assumption for Judges changed from 100% electing Medicare at age 65 to 100% not electing Medicare at age 65 and for Legislators from 100% electing Medicare at age 65 to 75% not electing Medicare at age 65. In addition, in anticipation of the retirements occurring before October 1, 2008, the election percentage for State employees was increased to 90% and the retiree liability was adjusted 110%.

Further, for teachers, the required contribution for teachers is not presented as a percentage of payroll since the required contribution by the State is for the Tier I subsidy for teachers who have elected to participate in the State's Retiree Health Care Benefit Plan. The June 30, 2007 actuarial valuation will be used to determine the annual required contribution for fiscal 2010.

The RIRHCBP does not issue a stand-alone financial report.

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island are covered by the Rhode Island Board of Governors for Higher Education Health Care Insurance Retirement Program. The Program offers a self-insured health care plan for pre-65 and post-65 retirees or a fully insured Medicare HMO plan for post-65 retirees. For the year ended June 30, 2008, the Program operated

on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. The University and colleges have recognized the annual required contribution (OPEB cost) as determined by an actuarial valuation performed as of June 30, 2006. For fiscal 2008, annual OPEB cost for the university and colleges was $2,975,528 and actual contributions made were $1,897,053. Additional disclosures regarding the Program are detailed in the financial statements for each institution.

Note 15. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The Department of Administration pursuant to Chapter 36-13 of the General Laws administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Benefit payments are not available to employees earlier than the calendar year in which the participant attains age 70½, termination, retirement, death or "unforeseeable emergency".

Current Internal Revenue Service regulations require that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The plan assets also may be held in annuity contracts or custodial accounts, which are treated as trusts.

The State does not serve in a trustee capacity. Accordingly, the plan assets are not included in the State's financial statements.

Note 16. Risk Management

The State is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee injury; and natural disasters.

The State has entered into agreements with commercial insurance companies for comprehensive insurance coverage on State property to protect the State against loss from fire and other risks. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees in the sum of $100,000 per person and $300,000 per accident for personal injury and $20,000 for property damage.

The State also has a contract with an insurance company to provide health care benefits to active and retired employees. The State reimburses the company for the costs of all claims paid plus administrative fees. The estimated liability for incurred but not reported (IBNR) claims at June 30, 2008 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30
Health Insurance Funds				
Liability for unpaid claims	$ 19,836	$ 234,456	$ 233,642	$ 20,650

The State is self-insured for risks of loss related to torts. Tort claims are defended by the State's Attorney General and, when necessary, appropriations are provided to pay claims.

The State is self-insured for various risks of loss related to work related injuries of State employees. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

Note 17. Condensed Financial Statement Information

The condensed financial statement information for the discretely presented component units is presented (expressed in thousands) in the following schedules:

	RIHMFC	RISLA	RITBA	RIEDC	NBC
Condensed statement of net assets:					
Other assets	$ 2,108,233	$ 1,057,517	$ 33,417	$ 284,540	$ 89,326
Capital assets - nondepreciable			2,677	116,099	415,607
Capital assets - depreciable (net)		3,611	83,127	377,584	223,261
Due from primary government				634	
Total assets	2,108,233	1,061,128	119,221	778,857	728,194
Long term debt	1,616,370	950,167	25,796	377,802	427,227
Other liabilities	207,477	33,640	5,391	41,541	14,217
Due to primary government	12,000			11,678	
Total liabilities	1,835,847	983,807	31,187	431,021	441,444
Net assets:					
Invested in capital assets, net of related debt	9,766	196	57,596	224,143	228,385
Restricted					
Debt service	207,217	75,583	6,359		
Other				79,366	190
Other nonexpendable					
Unrestricted	55,403	1,542	24,079	44,327	58,175
Total net assets	272,386	77,321	88,034	347,836	286,750
Condensed statement of activities:					
Program expenses					
Personal services	12,811	2,564	1,918	26,460	17,053
Supplies, materials, and services	9,408	7,259	1,780	17,331	14,522
Interest expense	73,620	39,610			
Depreciation, depletion, and amortization	2,757	969	2,399	17,903	7,464
Other program expenses	7,648	10,554	2,352	39,348	13,199
Total program expenses	106,244	60,956	8,449	101,042	52,238
Program revenue					
Charges for services	93,785	54,315	12,040	63,156	67,078
Operating grants and contributions				10,036	28
Capital grants and contributions				36,617	
Net program (expense) revenue	(12,459)	(6,641)	3,591	8,767	14,868
Interest and investment earnings	20,401	7,952	2,335	7,555	2,196
Miscellaneous			(4)	10,476	70
Payments from primary government	(26,020)			21,327	
Change in net assets	(18,078)	1,311	5,922	48,125	17,134
Beginning net assets as restated	290,464	76,010	82,112	299,711	269,616
Ending net assets	272,386	77,321	88,034	347,836	286,750

	RIHEBC	RIRRC	RIHEAA	RIPTA	RIIFC
Condensed statement of net assets:					
Other assets	$ 9,915	$ 123,068	$ 27,260	$ 14,622	$ 1,299
Capital assets - nondepreciable		14,835	307	6,557	
Capital assets - depreciable (net)	38	47,484	904	77,078	
Due from primary government				3,547	
Total assets	9,953	185,387	28,471	101,804	1,299
Long term debt		16,639	366	7,221	
Other liabilities	246	98,853	2,018	21,454	826
Due to primary government					
Total liabilities	246	115,492	2,384	28,675	826
Net assets:					
Invested in capital assets, net of related debt	39	46,929	1,211	83,635	
Restricted					
Debt service		2,155			
Other			24,876		
Other nonexpendable					
Unrestricted	9,668	20,811		(10,506)	473
Total net assets	9,707	69,895	26,087	73,129	473
Condensed statement of activities:					
Program expenses					
Personal services	378	14,152	3,220	47,261	62
Supplies, materials, and services	1,473	21,209	6,132	50,050	47
Interest expense					
Depreciation, depletion, and amortization	23	13,776	257	10,633	
Other program expenses		13,419	16,884		
Total program expenses	1,874	62,556	26,493	107,944	109
Program revenue					
Charges for services	2,143	66,993	15,292	32,643	120
Operating grants and contributions			368	20,602	
Capital grants and contributions				4,104	
Net program (expense) revenue	269	4,437	(10,833)	(50,595)	11
Interest and investment earnings	205	1,383	1,150	382	19
Miscellaneous	(1)	(423)		2,838	
Payments from primary government		(5,000)	10,220	32,725	
Change in net assets	473	397	537	(14,650)	30
Beginning net assets as restated	9,234	69,498	25,550	87,779	443
Ending net assets	9,707	69,895	26,087	73,129	473

	RICWFA	RIIRBA	RIWRBC	RIPTCA	TCCRI
Condensed statement of net assets:					
Other assets	$ 1,010,150	$ 3,200	$ 5,734	$ 1,727	$ 6,773
Capital assets - nondepreciable		181		821	
Capital assets - depreciable (net)	46	353		6,027	25
Due from primary government					
Total assets	1,010,196	3,734	5,734	8,575	6,798
Long term debt	648,882		9,427	1,113	
Other liabilities	9,895	774	433	473	1,778
Due to primary government					
Total liabilities	658,777	774	9,860	1,586	1,778
Net assets:					
Invested in capital assets, net of related debt	46	535		5,975	26
Restricted					
Debt service	329,259				
Other			(4,271)	1,168	1,594
Other nonexpendable					
Unrestricted	22,114	2,425	145	(154)	3,400
Total net assets	351,419	2,960	(4,126)	6,989	5,020
Condensed statement of activities:					
Program expenses					
Personal services	501			3,437	2,591
Supplies, materials, and services	2,531	143	35	1,733	564
Interest expense	26,379				15
Depreciation, depletion, and amortization	390	14	107	938	23
Other program expenses			416	61	2,307
Total program expenses	29,801	157	558	6,169	5,500
Program revenue					
Charges for services	21,364	282	1,226	4,967	4,848
Operating grants and contributions	10,904				
Capital grants and contributions					
Net program (expense) revenue	2,467	125	668	(1,202)	(652)
Interest and investment earnings	12,376	76	135	(58)	166
Miscellaneous			3	217	
Payments from primary government				2,292	1,056
Change in net assets	14,843	201	806	1,249	570
Beginning net assets as restated	336,576	2,759	(4,932)	5,740	4,450
Ending net assets	351,419	2,960	(4,126)	6,989	5,020

	URI	RIC	CCRI	CFSD	Totals
Condensed statement of net assets:					
Other assets	$ 220,877	$ 48,577	$ 23,923	$ 6,519	$ 5,076,677
Capital assets - nondepreciable	63,173	4,310	4,919		629,486
Capital assets - depreciable (net)	354,608	82,937	43,172	3,297	1,303,552
Due from primary government					4,181
Total assets	638,658	135,824	72,014	9,816	7,013,896
Long term debt	212,418	19,171	9,077	1,746	4,323,422
Other liabilities	54,458	19,238	11,043	7,069	530,824
Due to primary government		19,327			43,005
Total liabilities	266,876	57,736	20,120	8,815	4,897,251
Net assets:					
Invested in capital assets, net of related debt	236,957	54,598	40,358	3,103	993,498
Restricted					
Debt service					620,573
Other	26,317	4,387	5,337	116	139,080
Other nonexpendable	76,058	16,152			92,210
Unrestricted	32,450	2,951	6,199	(2,218)	271,284
Total net assets	371,782	78,088	51,894	1,001	2,116,645
Condensed statement of activities:					
Program expenses					
Personal services	260,096	87,742	71,812	54,266	606,324
Supplies, materials, and services	113,025	22,497	24,749	1,548	296,036
Interest expense				15	139,639
Depreciation, depletion, and amortization	20,378	4,713	2,946	276	85,966
Other program expenses	27,019	6,667	2,818		142,692
Total program expenses	420,518	121,619	102,325	56,105	1,270,657
Program revenue					
Charges for services	319,837	72,307	55,354	9,821	897,571
Operating grants and contributions		3,165	1,093		46,196
Capital grants and contributions	56,162	3,833	2,686		103,402
Net program (expense) revenue	(44,519)	(42,314)	(43,192)	(46,284)	(223,488)
Interest and investment earnings	3,839	(202)	416	19	60,345
Miscellaneous	14,941	6		65	28,188
Payments from primary government	75,390	44,347	47,820	44,088	248,245
Change in net assets	49,651	1,837	5,044	(2,112)	113,290
Beginning net assets as restated	322,131	76,251	46,850	3,113	2,003,355
Ending net assets	371,782	78,088	51,894	1,001	2,116,645

Significant transactions between primary government and component units

	(Revenue) Expense	Description
Governmental activities		
General		
R.I. Higher Education Assistance Authority	$ 10,220	Operating assistance
R.I. Economic Development Corporation	10,864	Operating and capital assistance
University of Rhode Island	74,943	Educational assistance
Rhode Island College	44,512	Educational assistance
Community College of Rhode Island	48,182	Educational assistance
Central Falls School District	43,526	Educational assistance
R.I. Public Transit Authority	8,202	Operating assistance
R.I. Housing & Mortgage Finance Corporation	(26,020)	Operating assistance
ISTEA		
R.I. Public Transit Authority	32,882	Operating assistance
Bond Capital		
RI Economic Development Corporation	14,547	Construction, improvement or purchase of assets
University of Rhode Island	41,309	Construction, improvement or purchase of assets
Rhode Island College	5,915	Construction, improvement or purchase of assets
Certificates of Participation		
University of Rhode Island	6,237	Construction, improvement or purchase of assets
R. I. Capital Plan		
University of Rhode Island	9,107	Construction, improvement or purchase of assets
Total Governmental Activities	$ 324,426	

Note 18. Other Information

A. Elimination Entries

When the governmental fund statements and the internal service funds statements are combined into one column for governmental activity on the government-wide financial statements interfund balances and activity should be eliminated. The following are the eliminations (expressed in thousands) that were made.

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	$ 16,345	$ 3,943	$ 20,288	$ (16,588)	$ 3,700
Loans to other funds	78,829	2,100	80,929	(80,929)	
Total assets	$ 95,174	$ 6,043	$ 101,217	$ (97,517)	$ 3,700
Liabilities					
Due to other funds	$ 14,295	$ 2,293	$ 16,588	$ (16,588)	$
Loans from other funds	71,129	9,800	80,929	(80,929)	
Total liabilities	$ 85,424	$ 12,093	$ 97,517	$ (97,517)	$
Program revenue					
General government	$ 30	$ 291,713	$ 291,743	$ (291,743)	
Human services		8,348	8,348	(8,348)	
Public safety		10,272	10,272	(10,272)	
Expenses					
General government	30	290,813	290,843	(290,843)	
Human services		8,689	8,689	(8,689)	
Public safety		10,831	10,831	(10,831)	
Net revenue (expenses)	$	$	$	$	$
Transfers					
Operating transfers in	$ 724,428	$ 7,778	$ 732,206	$ (407,278)	$ 324,928
Operating transfers out	(403,012)	(4,266)	(407,278)	407,278	
Net transfers	$ 321,416	$ 3,512	$ 324,928	$	$ 324,928

	Total Business-type Activities		Total	Eliminations	Internal Balances
Liabilities					
Due to other funds	$ 3,700	$	$ 3,700	$	$ 3,700
	$ 3,700	$	$ 3,700	$	$ 3,700
Transfers					
Operating transfers in	$ 33,283	$	$ 33,283	$ (33,283)	$
Operating transfers out	(358,211)		(358,211)	33,283	(324,928)
Net transfers	$ (324,928)	$	$ (324,928)	$	$ (324,928)

B. Related Party Transactions

The R.I. Industrial-Recreational Building Authority is authorized to insure mortgages and first security agreements for companies conducting business in the State, granted by financial institutions and the R.I. Industrial Facilities Corporation.

The State entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC), a subsidiary of the R.I. Economic Development Corporation, whereby the State has agreed to lease various assets to RIAC. The agreement requires RIAC to reimburse the State for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 30 years beginning July 1, 1993, with annual rent of $1.00. In the event RIAC does not have sufficient funds to make the required lease payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no rights to terminate the agreement as long as there are bonds and subordinate indebtedness outstanding.

The R.I. Student Loan Authority (RISLA) and the R.I. Higher Education Assistance Authority (RIHEAA), component units of the State, are related parties. RISLA is a public instrumentality created to provide a statewide student loan program through the acquisition and origination of student loans. RIHEAA is a public instrumentality created for the dual purpose of guaranteeing loans to students in eligible institutions and administrating other programs of post-secondary student financial assistance assigned by law.

Transactions between RISLA and RIHEAA as of and during the year ended June 30, 2008 were as follows:

Guaranteed loans outstanding at June 30, 2008	$509,527,000
Loans guaranteed during the year	247,588,000
Guarantee claims paid during the year	21,668,000

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) and the State have entered into a contractual relationship whereby RIHMFC assumed the responsibility for the State Rental Subsidy Program for the period July 1, 1994 through June 30, 1997. In addition, RIHMFC made $3,800,000 in advances on behalf of the State for this program in the fiscal year ended June 30, 1994. As provided in the contractual arrangement, the State agreed to repay the $3,800,000, subject to appropriations, in installments of $950,000 over a four year period beginning in the year ended June 30, 1996, but to date no payments have been made, nor have any payments for transfers totaling $39,485,000 made during the years ended June 30, 1998 through 2008 been made.

In November 2004, the voters of Rhode Island authorized the issuance of $30 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, $20 million will be repaid to the State. The residence hall was finished and in service by September 2007 at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC, one-third to the State for all payments after September 2007. RIC will repay

the State for the debt service paid on its behalf on a straight-line basis amortized over the remaining life of the bonds, which carry rates ranging from 3-5% and a life of nineteen years beginning in fiscal year 2009. RIC recognized $20 million as a liability to the State for its two-thirds of the debt service as a result of these issuances. Additionally, RIC has recorded $10 million of contributed capital by the State.

The Narragansett Bay Commission has approximately $269,000,000 of loans payable to the RI Clean Water Finance Agency.

C. Restatements, Reclassifications and Other Changes in Presentation

	Governmental Activities	Discretely Presented Component Units	Governmental Funds
June 30, 2007			
Net assets as previously reported	$ 982,917	$ 2,017,401	
Fund balance as previously reported			$ 921,468
Correction of errors		(14,042)	
Reclassifications	42	(4)	42
June 30, 2007 net assets/fund balance as restated	$ 982,959	$ 2,003,355	$ 921,510

The beginning net assets of Governmental Activities within the government-wide financial statements were increased by $42,000. This increase is the result of the Rhode Island Economic Policy Council, a blended component unit as of June 30, 2007, being merged with the Rhode Island Economic Development Corporation, a discretely presented component unit. This merger also resulted in a reclassification of total net assets of the governmental funds for the same amount at June 30, 2007.

The beginning net assets of certain discretely presented component units decreased by an aggregate amount of approximately $14,000,000 to correct errors in prior periods. The majority of this decrease was attributable to a $13.8 million decrease in net assets for the Rhode Island Resource Recovery Corporation. During 2007, the Corporation ceased development activities of the industrial park and began actively marketing the land for sale. Based upon the sales consummated during 2007, the intent of the Corporation and other information available prior to the issuance of its 2007 financial statements, the land should have been reclassified from land held for development to land held for sale and reduced from its cost basis to net realizable value. As a result, the Corporation's financial statements overstated both total assets and net assets as of June 30, 2007 by the amount necessary to reduce the land to net realizable value. That amount totaled $13,758,679.

The State's fiscal 2008 financial statements include the following new funds:

- Rhode Island Capital Plan Fund - Capital Projects Fund
- Coastal Resources Management Council Dredge Fund – Special Revenue Fund

- Vehicle Replacement Revolving Loan Fund – Internal Service Fund

The Energy Revolving Internal Service Fund was dissolved and remaining net assets were transferred to the General Fund.

In accordance with GASB Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* a net OPEB obligation has been recorded within the government-wide financial statements and proprietary funds reflecting an actuarially determined annual required contribution for postemployment benefits provided to employees (see Note 14).

D. Budgeting, Budgetary Control, and Legal Compliance

Budget Preparation

An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget encompasses the General Fund and certain special revenue funds. Preparation and submission of the budget is governed by the State Constitution and the Rhode Island General Laws. The budget, as enacted, contains a complete plan of proposed expenditures from all sources of funds (general, federal, restricted, and transfers in). Revenues upon which the budget plan is based are determined as part of the State's Revenue Estimating Conference. The Conference, held twice each year, results in a consensus estimate of revenues for the next fiscal year and an update of prior revenue estimates for the current fiscal year.

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 98 percent of estimated general revenues. The remaining 2 percent is contributed to the Budget Reserve Account until such account equals 3 percent of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

The annual budget is adopted on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

Budgetary Controls

The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch.

Budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations, accounting system controls to limit expenditures in excess of authorized amounts, and budgetary monitoring controls.

Budgetary Compliance

The General Fund ended fiscal 2008 with an operating deficit of $42.9 million resulting from a deficiency of general revenue compared to general revenue expenditures. Actual general revenues were $7.1 million less than estimated revenues and actual general revenue expenditures were $35.8 million more than budgeted amounts. Expenditures in three departments exceeded appropriations from general revenues by a significant amount: the Department of Human Services by $22.8 million; the Department of Mental Health Retardation and Hospitals by $7.8 million; and the Department of Corrections by $8.6 million.

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2008:

- Assessed Fringe Benefits Fund ($5,659,000)
- State Telecommunications ($1,347,000)
- Central Laundry ($137,000)
- Records Center ($82,000)

The deficits will be eliminated through charges for services in fiscal year 2009.

Note 19. Subsequent Events

Primary Government

On November 4, 2008 the voters authorized the State to issue $87,215,000 of transportation bonds and $2,500,000 of open space and recreational development bonds.

On December 2, 2008 the State of Rhode Island issued $107,820,000 in General Obligation Bonds with interest rates ranging from 3.00% to 6.60% with maturity dates of August 2009 through August 2024. This issuance included an $86,875,000 Consolidated Capital Development Loan of 2008, Series B, an $8,500,000 Capital Development Loan of 2008, Series C, and a $12,445,000 Consolidated Capital Development Loan of 2008, Refunding Series D.

Subsequent to June 30, 2008, investments held within the pension trust funds have declined significantly in value consistent with overall declines in the domestic and international financial markets. At March 31, 2009, these declines were approximately 25% compared to the fair value of investments at June 30, 2008. The State Investment Commission has adopted a long-term investment policy for the investments held within the pension trust funds, which includes diversification of holdings pursuant to an asset

allocation model. Additionally, the impact on the funded status of the plans and required contributions due to any near term decline in value of the pension trust fund investments will be tempered by the five-year smoothing employed in the actuarial value of assets.

As of March 31, 2009 the Employees' Retirement System has successfully exited the securities lending program. As a result of this action, all securities on loan were called back, and collateral obligations were returned in whole.

The State's cash equivalent type investments at June 30, 2008 included approximately $83,765,000 invested with The Reserve – U.S. Government Fund which is a money market mutual fund. The Reserve petitioned the Securities and Exchange Commission (SEC) and was granted permission on September 22, 2008 to suspend redemptions from the U.S. Government Fund. The State had approximately $62 million invested in The Reserve - U.S. Government Fund on September 22, 2008, the date redemptions were suspended. The Reserve liquidated the U.S. Government Fund making a partial distribution and then final distribution on January 16, 2009. The Office of the General Treasurer received full redemption of its shares in the Reserve - US Government Fund, plus accrued interest, at a rate above current market levels, without loss in value.

Funds on deposit with fiscal agent at June 30, 2008 as well as certain investments held within the discretely presented component units included guaranteed investment contracts (GIC's) with AIG Matched Funding a subsidiary of American International Group (AIG). Bond proceeds were invested in the GIC's pending disbursement for project costs. The AIG GIC's contained provisions that were triggered by a downgrade in the ratings assigned to the corporate issuer of the GIC's which occurred in September 2008. The credit rating downgrade allowed the State and the Rhode Island Clean Water Finance Agency (a discretely presented component unit) to request return of the invested funds which subsequently occurred.

The State Investment Commission has modified, due to the increased need for security, its short-term investment policy regarding Certificates of Deposits and Commercial Paper. Certificates of Deposits, regardless of duration, shall be fully collateralized, at a percent not to be below 102%. Further, investments in Commercial Paper will cease.

The State sold $350 million of General Obligation Tax Anticipation Notes in October 2008. The notes bear interest at 3.5% and are due June 30, 2009.

In March 2009, the State obtained an interest free $75 million line of credit from the Federal Unemployment Insurance Trust Fund. The line of credit will be used to fund unemployment insurance benefits.

Subsequent to June 30, 2008, in response to instability in the financial markets, the U.S. Treasury instituted a Temporary Guarantee Program for Money Market Funds. The program provides a guarantee to participating money market mutual fund shareholders based on the number of shares invested in the fund at the close of business on September 19, 2008. This program expires on April 30, 2009 unless extended by the U.S. Treasury.

The State and its component units had significant amounts invested in money market funds at June 30, 2008. Money market funds must elect to participate in the Temporary Guarantee Program for Money Market Funds. All the money market funds holding State funds at June 30, 2008 have elected to participate in the guarantee program.

In December 2008, the Board of the Employees' Retirement System approved an increase to the fiscal 2010 employer contribution rates for State employees from 20.69% to 25.03% of covered payroll. The fiscal 2010 contribution rates had previously been established and approved by the Board based on an actuarial valuation performed as of June 30, 2007. An increase in the fiscal 2010 employer contribution rate was recommended by the actuary in response to an expected decrease in covered payroll for fiscal 2010. This is due to a significant increase in the number of state employee retirements prompted largely by changes in retiree medical coverage effective October 1, 2008. The expected decrease in fiscal 2010 covered payroll requires that the amortization of the unfunded actuarial accrued liability be applied to a smaller payroll base thereby causing an increase in the employer contribution rate.

In January 2009, the State signed a joint development agreement with Deepwater Wind Rhode Island, LLC that outlines the terms and conditions for the construction of wind energy development off the shores of Rhode Island that is expected to provide 1.3 million megawatt hours per year of renewable energy, which is approximately 15 percent of all electricity used in the State. The first phase of the project is scheduled to begin in late 2010 and to be completed in June 2012. It is expected that the development will cost in excess of $1.5 billion to construct, which will all be funded through private investment sources.

On April 2, 2009 the Rhode Island Economic Development Corporation, on behalf of the State issued $169,395,000 of Grant Anticipation Revenue Vehicle Bonds which are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects, and $12,410,000 of Rhode Island Motor Fuel Tax Revenue Bonds which are payable solely from certain pledged revenues derived from two cents ($.02) per gallon of the thirty cents ($.30) per gallon Motor Fuel Tax.

In July 2008, the Rhode Island Convention Center Authority (RICCA) entered into a lease with the State Department of Administration and commenced operations of the Veterans Memorial Auditorium and Cultural Center (VMA). Operation of the VMA is shared by two facilities-management groups: Professional Facilities Management Inc. of Providence (PFM) and Spectacor Management Group (SMG). PFM will manage the marketing, bookings and box office; SMG will manage the physical plant, mechanical operations and security.

In March 2009, the Convention Center Authority issued $71,220,000 of Refunding Revenue bonds for the purpose of refunding the Authority's outstanding Variable Rate Refunding Revenue Bonds 2001 Series A, and to finance an associated swap termination payment, debt service reserve fund and the costs of issuance.

Component Units

Effective July 1, 2008, the General Assembly reduced the amount of debt authorization available to the Rhode Island Industrial Recreational Building Authority from $80,000,000 to $20,000,000.

On August 14, 2008, the Rhode Island Student Loan Authority issued $85 Million in Tax-Exempt Student Loan Program Revenue Bonds (Series B-1, Series B-2, Series B-3 and Series B-4) and $15 Million in Taxable Student Loan Program Revenue Bonds (Series B-5). The Series B-1, Series B-2 and Series B-3 Bonds are to be used to refinance the 1996 Series 1, Series 2 and Series 3 Bonds. The Series B-4 and Series B-5 are for the purpose of financing student loans.

On November 25, 2008, the Rhode Island Student Loan Authority issued $85 Million in Tax-Exempt Student Loan Program Revenue Bonds (Series C-1 and C-2) and $15 Million in Taxable Student Loan Program Revenue Bonds (Series C-3). The Series C-1 and Series C-2 Bonds are to be used to refinance the 1995 Series 1 Bonds.

On July 17, 2008, the Narragansett Bay Commission (NBC) issued the 2008 Series A Wastewater System Revenue Refunding Bonds in the principal amount of $66,360,000 maturing September 1, 2034. The Refunding Bonds were issued to refund the 2004 Series A Revenue Bonds. The 2008 Series A are Multi-Modal and have been issued in weekly rate mode with the interest rate determined weekly and interest paid monthly. The owner of the bonds in a weekly mode can require NBC (acting through its remarketing agent) to repurchase the bonds. The remarketing agent has agreed to use its best efforts to remarket any purchased bonds. NBC has an irrevocable direct pay letter of credit issued by RBS Citizens, National Association. In the event that the remarketing agent is unable to remarket tendered bonds, the letter of credit provides that the bank be obligated to pay to the Trustee, the amount necessary to pay the principal and Purchase Price of and interest on the Bonds of up to 60 days at the maximum Rate of 10% on the Bonds. The letter of credit expires on July 16, 2020.

Subsequent to June 30, 2008 the R.I. Health & Educational Building Corporation, the R.I. Economic Development Corporation and the R.I. Industrial Facilities Corporation issued various conduit debt obligations. These are not obligations of the respective corporations or the State.

On November 20, 2008, the University of Rhode Island issued two series of bonds: $34.1 million Series 2008 A and $3.8 million Series 2008 B bonds (taxable). Proceeds of Series 2008 A bonds were used to refund the University of Rhode Island Series 2004 B bonds while Series 2008 B bonds proceeds were used to finance swap termination payments in connection with the termination of an interest rate swap dated December 22, 2004.

On August 26, 2008, R.I. Housing and Mortgage Finance Corporation (RIHMFC) issued $64,720,000 of Homeownership Opportunity Bonds, Series 60.

On October 1, 2008 RIHMFC instructed its trustees to redeem the Homeownership Opportunity Bonds in the amount of $12,060,000.

RIHMFC has renewed its line of credit with Bank of America N.A. which expired in October 2008. Terms of the new agreement are as follows: a) Commitment Amount: $30,000,000, b) Maturity Date: 10/30/2009, c) Interest Rate: Variable rate tied to LIBOR.

As a result of a combination of savings, decrease in fuel costs and receipt of funds from various sources, the Rhode Island Public Transit Authority has reduced its originally projected $10 million budget deficit for fiscal year 2009 to $1.3 million. It is unclear what effect the remaining deficit could have on the Authority's operations.

A forensic audit of the R.I. Resource Recovery Corporation is ongoing and has highlighted various matters involving land transactions, the development of an industrial park adjacent to the landfill, and environmental issues. Management has not yet determined the impact of the forensic audit, or other investigations of the corporation, other than the carrying value of certain assets held for development that were written down in fiscal year 2008.

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REQUIRED SUPPLEMENTARY INFORMATION

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Revenues:				
General Revenues:				
Personal Income Tax	$ 1,082,857	$ 1,069,100	$ 1,073,617	$ 4,517
General Business Taxes:				
Business Corporations	167,207	156,500	150,469	(6,031)
Public Utilities Gross Earnings	109,300	97,300	99,437	2,137
Financial Institutions	2,003	1,200	1,830	630
Insurance Companies	68,834	63,500	67,997	4,497
Bank Deposits	1,600	1,700	1,710	10
Health Care Provider Assessment	48,900	50,900	53,357	2,457
Sales and Use Taxes:				
Sales and Use	908,724	853,400	844,197	(9,203)
Motor Vehicle	50,235	45,200	48,610	3,410
Motor Fuel	1,100	1,290	991	(299)
Cigarettes	112,500	118,100	114,675	(3,425)
Alcohol	11,100	10,900	11,141	241
Other Taxes:				
Inheritance and Gift	30,100	38,000	35,334	(2,666)
Racing and Athletics	2,600	2,800	2,813	13
Realty Transfer Tax	13,800	10,900	10,223	(677)
Total Taxes	2,610,860	2,520,790	2,516,401	(4,389)
Departmental Revenue	362,870	357,500	356,546	(954)
Total Taxes and Departmental Revenue	2,973,730	2,878,290	2,872,947	(5,343)
Other Sources				
Gas Tax Transfer	4,685	4,535	4,514	(21)
Other Miscellaneous	140,279	180,970	181,810	840
Lottery	339,700	356,800	354,321	(2,479)
Unclaimed Property	14,600	15,500	15,387	(113)
Total Other Sources	499,264	557,805	556,032	(1,773)
Total General Revenues	3,472,994	3,436,095	3,428,979	(7,116)
Federal Revenues	1,723,323	1,780,991	1,740,283	(40,708)
Restricted Revenues	161,974	154,732	126,090	(28,642)
Other Revenues	57,174	55,956	58,639	2,683
Total Revenues	5,415,465	5,427,774	5,353,991	(73,783)
Expenditures:				
Department of Administration				
Central Management				
General Revenue Total	1,550	1,592	1,631	(39)
Federal Fund Total	238	229	234	(5)
** Restricted Receipts Total		119	73	46
Total-Central Management	1,788	1,940	1,938	2

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Legal Services				
Legal Support/DOT	122	236	142	94
General Revenue Total	1,837	2,255	2,493	(238)
Total-Legal Services	1,959	2,491	2,635	(144)
Accounts & Control				
General Revenue Total	3,253	3,499	3,465	34
Budgeting				
General Revenue Total	2,091	1,997	1,902	95
Purchasing				
General Revenue Total	2,399	2,184	2,178	6
Auditing				
General Revenue Total	1,792	1,690	1,621	69
Other			100	(100)
Total-Auditing	1,792	1,690	1,721	(31)
Human Resources				
Other Fund Total	793	528	1,384	(856)
General Revenue Total	10,067	10,179	9,678	501
Federal Fund Total	2,066	1,974	783	1,191
Restricted Receipts Total	578	484	499	(15)
Total-Human Resources	13,504	13,164	12,345	819
Personnel Appeal Board				
General Revenue Total	97	111	105	6
Facilities Management				
General Revenue Total	36,056	36,576	35,046	1,530
Federal Fund Total	7,214	7,774	1,766	6,008
Restricted Receipts Total	7,488	1,090	1,057	33
Other Fund Total	555	562	5,435	(4,873)
Total-Facilities Management	51,313	46,003	43,304	2,699
Capital Projects & Property Management				
General Revenue Total	3,749	3,334	3,291	43
Information Technology				
General Revenue Total	17,650	18,848	18,623	225
Federal Fund Total	7,390	5,602	5,520	82
Restricted Receipts Total	1,423	1,744	908	836
Other Fund Total	1,403	2,258	1,526	732
Total-Information Technology	27,866	28,452	26,577	1,875

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Library and Information Services				
General Revenue Total	1,101	986	1,025	(39)
Federal Fund Total	1,084	1,064	1,022	42
Restricted Receipts Total	2	2	1	1
Total-Library and Information Services	2,187	2,051	2,047	4
Statewide Planning				
General Revenue Total	3,793	3,782	3,730	52
Federal Fund Total	9,330	10,454	8,302	2,152
Federal Highway-PL Systems Planning	1,689	2,048	1,875	173
Air Quality Modeling	21	21	8	13
Total-Statewide Planning	14,833	16,304	13,914	2,390
Security Services				
General Revenue Total	19,933	19,689	19,900	(211)
Energy Resources				
General Revenue Total	2,237	2,606	2,350	256
Federal Funds Total	19,688	22,027	21,268	759
Restricted Receipts Total	200	509	70	439
Total-Energy Resources	22,125	25,143	23,689	1,454
General				
Miscellaneous Grants and Payments	661	661	652	9
Torts-Court Awards	400	408	326	82
EDC Airport Impact Aid		1,001	1,001	
State Employees/Teachers Retiree Health	1,442		1,428	(1,428)
Governor's Contingency Fund			128	(128)
Economic Development Corporation Grant	8,699	7,655	7,655	
Slater Centers of Excellence	3,000	2,919	2,919	
Economic Policy Council	300	292	292	
Dunkin Donuts Center Renovations	12,500	8,400	8,400	
Transfer to RICAP Fund		19,423	19,423	
Motor Vehicle Excise Tax Payment	135,500	135,317	135,278	39
Property Valuation	1,100	1,100	1,079	21
General Revenue Sharing Program	65,112	55,112	55,112	
Payment in Lieu of Tax Exempt Properties	27,767	27,767	27,767	
Distressed Communities Relief Program	10,384	10,384	10,384	
Resource Sharing and State Library Aid	8,773	8,773	8,746	27
Library Construction Aid	2,813	2,813	2,673	140
EPScore-EDC	1,500	1,460	1,460	
Police/Fire Incentive Pay	675	675	674	1
Federal Fund Total			4	(4)
Restricted Receipts Total	1,296	1,396	3,781	(2,385)
Total-General	281,922	285,555	289,180	(3,625)
Debt Service Payments				
RIPTA Debt Service	681	675	675	
Transportation Debt Service	35,442	33,569	33,413	156
RIRBA-DLT Temporary Disability Insurance	46	46	46	
COPS-DLT Building-TDI	359	284	277	7

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
COPS-DLT Building-Reed Act	26	7	7	
Investment Receipts-Bond Funds			63	(63)
Debt Service Payments	126,160	131,156	131,003	153
Federal Fund Total	1,178	947	931	16
Restricted Receipts Total	1,542	3,195	3,585	(390)
Total-Debt Service Payments	165,434	169,877	169,999	(122)
Retirement Alternative				
Pay Plan Reserve General Revenue	(9,105)			
Other Fund Total	(2,715)			
Federal Fund Total	(2,607)			
Restricted Receipts Total	(419)			
Total-Retirement Alternative	(14,846)			
Total-Department of Administration	601,399	623,486	618,189	5,297
Department of Business Regulation				
Central Management				
General Revenue Total	1,283	1,278	1,204	74
Banking Regulation				
General Revenue Total	3,083	2,958	2,857	101
Restricted Receipts Total	145	145	65	80
Total-Banking Regulation	3,228	3,103	2,922	181
Commercial Licensing and Racing & Athletics				
General Revenue Total	1,363	1,093	1,132	(39)
Restricted Receipts Total	607	553	436	117
Total-Commercial Licensing and Racing & Athletics	1,970	1,647	1,568	79
Board of Design Professionals				
General Revenue Total	406	392	347	45
Insurance Regulation				
Federal Funds	52	202	114	88
General Revenue Total	5,185	5,024	4,640	384
Restricted Receipts Total	856	969	864	105
Total-Insurance Regulation	6,093	6,194	5,618	576
Board of Accountancy				
General Revenue Total	155	151	153	(2)
Total-Department of Business Regulation	13,136	12,765	11,812	953
Department of Labor and Training				
Central Management				
General Revenue Total	195	183	140	43
Restricted Receipts	484	453	504	(51)
Total-Central Management	679	635	644	(9)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Workforce Development Services				
Reed Act-Woonsocket Network Office Renovations		75	63	12
Reed Act-Rapid Job Entry	799	795	589	206
Reed Act-Workforce Development	5,200	4,188	2,526	1,662
General Revenue Total	3	6		6
Federal Fund Total	13,368	20,279	14,281	5,998
Restricted Receipts Total	14,952	11,664	7,799	3,865
Total-Workforce Development Services	34,322	37,008	25,259	11,749
Workforce Regulation and Safety				
General Revenue Total	2,737	2,480	2,551	(71)
Income Support				
General Revenue Total	3,175	3,322	3,376	(54)
Federal Fund Total	14,757	15,238	14,602	636
Restricted Receipts Total	1,761	1,872	1,834	38
Total-Income Support	19,693	20,433	19,812	621
Injured Workers Services				
Restricted Receipts Total	11,087	11,086	9,961	1,125
Labor Relations Board				
General Revenue Total	473	428	310	118
Total-Department of Labor and Training	68,991	72,069	58,537	13,532
Legislature				
General Revenue Total	36,972	34,116	32,378	1,738
Restricted Receipts Total	1,524	1,452	1,452	
Total-Legislature	38,496	35,568	33,829	1,739
Total-General Assembly	38,496	35,568	33,829	1,739
Office of the Lieutenant Governor				
Lieutenant Governor	925	840	850	(10)
Department of State Administration				
General Revenue Total	1,685	1,658	1,757	(99)
Corporations				
General Revenue Total	1,799	1,854	1,914	(60)
State Archives				
General Revenue Total	89		109	(109)
Federal Fund Total	40	38	28	10
Restricted Receipts Total	443	559	420	139
Total-State Archives	573	597	557	40

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Elections				
General Revenue Total	583	611	688	(77)
Federal Fund Total	547	534	883	(349)
Total-Elections	1,130	1,146	1,571	(425)
State Library				
General Revenue Total	690	676	713	(37)
Office of Civics Public Information				
General Revenue Total	190	244	308	(64)
Total-Department of State	6,066	6,174	6,820	(646)
Treasury Department				
Treasury				
General Revenue Total	2,590	2,464	2,387	77
Federal Fund Total	291	280	237	43
Restricted Receipts Total	10			
Total-Treasury	2,891	2,744	2,624	120
State Retirement System				
Administrative Expenses-State Retirement System	6,132	6,330	5,688	642
Retirement-Treasury Investment Operations	877	917	833	84
Total-State Retirement System	7,009	7,246	6,520	726
Unclaimed Property				
Restricted Receipts Total	23,095	24,228	28,253	(4,025)
RI Refunding Bond Authority				
General Revenue Total	40	37	36	1
Crime Victim Compensation Program				
General Revenue Total	279	273	246	27
Federal Fund Total	1,625	870	563	307
Restricted Receipts Total	1,658	1,361	1,213	148
Total-Crime Victim Compensation Program	3,561	2,504	2,023	481
Total-Treasury Department	36,597	36,759	39,455	(2,696)
Commission for Human Rights				
General Revenue Total	984	952	952	
Federal Fund Total	405	371	389	(18)
Total-Commission for Human Rights	1,389	1,323	1,341	(18)
Board of Elections				
General Revenue Total	1,437	1,290	1,315	(25)
Federal Fund Total	587	631	611	20
Total-Board of Elections	2,024	1,921	1,926	(5)
Rhode Island Ethics Commission				

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
General Revenue Total	1,410	1,330	1,343	(13)
Office of Governor				
General Revenue Total	4,922	4,774	4,958	(184)
Public Utilities Commission				
General Revenue Total	661	648	475	173
Federal Fund Total	100	97	71	26
Restricted Receipts Total	6,335	6,194	4,888	1,306
Total-Public Utilities Commission	7,096	6,938	5,433	1,505
Rhode Island Commission on Women				
General Revenue Total	108	106	106	
Department of Revenue				
Director of Revenue				
General Revenue Total	752	432	452	(20)
Office of Revenue Analysis				
General Revenue Total	750	364	31	333
Property Valuation				
General Revenue Total	850	789	775	14
Taxation				
General Revenue Total	17,821	16,037	16,172	(135)
Federal Fund Total	1,235	1,160	1,190	(30)
Restricted Receipts Total	830	877	779	98
Motor Fuel Tax Invasion		129	72	57
Temporary Disability Insurance	910	791	876	(85)
Total Taxation	20,797	18,994	19,088	(94)
Registry of Motor Vehicles				
General Revenue Total	18,404	17,544	17,657	(113)
Federal Fund Total	100	969	281	688
Restricted Receipts Total	15	15	11	4
Total Registry of Motor Vehicles	18,518	18,528	17,949	579
Total-Department of Revenue	41,667	39,107	38,296	811
Office of Health and Human Services				
General Revenue Total	307	387	363	24
Federal Fund Total	5,826	7,159	3,169	3,990
Restricted Revenues Total	446	314	316	(2)
Total-Office of Health and Human Services	6,579	7,860	3,848	4,012

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Department of Children, Youth, and Families				
Central Management				
General Revenue Total	5,903	6,938	7,201	(263)
Federal Fund Total	3,360	2,852	2,867	(15)
Total-Central Management	9,263	9,790	10,068	(278)
Children's Behavioral Health Services				
General Revenue Total	18,806	16,664	15,803	861
Federal Fund Total	13,269	13,165	14,040	(875)
Total-Children's Behavioral Health Services	32,074	29,830	29,843	(13)
Juvenile Correctional Services				
General Revenue Total	29,680	29,520	30,172	(652)
Federal Fund Total	611	617	349	268
Restricted Receipts Total	6	10	23	(13)
Total-Juvenile Correctional Services	30,297	30,147	30,543	(396)
Child Welfare				
General Revenue	88,661	93,104	91,930	1,174
18 to 21 year olds	6,000	5,550	6,186	(636)
Federal Fund	58,427	58,687	48,520	10,167
18 to 21 year olds	4,545	4,383	6,441	(2,058)
Restricted Receipts Total	1,748	2,241	2,709	(468)
Total-Child Welfare	159,381	163,965	155,786	8,179
Higher Education Incentive Grant				
General Revenue Total	200	200	200	
Total-Department of Children, Youth, and Families	231,215	233,932	226,441	7,491
Department of Elderly Affairs				
Intermodal Surface Transportation Fund	4,685	4,535	4,477	58
General Revenue Total	16,522	16,219	15,963	256
Safety and Care of the Elderly	1	1	1	
RIPAE	2,082	1,170	1,005	165
Federal Fund Total	13,057	12,946	11,980	966
Restricted Receipts Total	690	1,330	957	373
Total-Department of Elderly Affairs	37,036	36,200	34,383	1,817
Department of Health				
Central Management				
General Revenue Total	4,901	4,190	4,172	18
Federal Fund Total	4,856	8,366	5,574	2,792
Restricted Receipts Total	3,717	4,489	3,072	1,417
Total-Central Management	13,475	17,046	12,818	4,228
State Medical Examiner				
General Revenue Total	2,157	2,142	2,000	142
Federal Fund Total	142	132	155	(23)
Total-State Medical Examiner	2,299	2,273	2,155	118

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Health Service Regulation				
General Revenue Total	6,523	6,464	5,779	685
Federal Fund Total	4,914	6,784	4,847	1,937
Restricted Receipts Total	437	397	327	70
Total-Health Services Regulation	11,873	13,645	10,953	2,692
Family Health				
General Revenue Total	2,589	2,470	2,454	16
Federal Fund Total	29,851	33,972	47,125	(13,153)
Restricted Receipts Total	18,186	17,372	10,109	7,263
Total-Family Health	50,626	53,814	59,688	(5,874)
Environmental Health				
General Revenue Total	4,000	3,782	3,808	(26)
Federal Fund Total	6,125	5,953	5,180	773
Restricted Receipts Total	3,063	2,908	2,184	724
Other Fund Total		100	15	85
Total-Environmental Health	13,187	12,743	11,187	1,556
Health Laboratories				
General Revenue Total	8,171	6,822	6,567	255
Federal Fund Total	2,064	2,379	1,973	406
Total-Health Laboratories	10,234	9,201	8,540	661
Disease Prevention and Control				
General Revenue Total	6,148	5,301	5,205	96
Federal Fund Total	17,354	19,465	15,974	3,491
Walkable Communities Initiative	29	29	31	(2)
Total-Disease Prevention and Control	23,530	24,795	21,211	3,584
Total-Department of Health	125,224	133,518	126,552	6,966
Department of Human Services				
Central Management				
General Revenue	9,114	9,547	9,434	113
Statewide operating savings		(19,647)		(19,647)
Federal Fund	4,252	4,446	3,739	707
Statewide operating savings		(19,916)		(19,916)
Restricted Receipts Total	1,746	1,995	2,003	(8)
Total-Central Management	15,112	(23,575)	15,176	(38,751)
Child Support Enforcement				
General Revenue Total	3,831	3,236	3,101	135
Federal Fund Total	7,570	7,439	7,195	244
Restricted Receipts Total	50			
Total-Child Support Enforcement	11,450	10,675	10,296	379
Individual and Family Support				
General Revenue Total	24,755	22,809	22,623	186
Federal Fund Total	52,884	56,446	50,007	6,439

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Restricted Receipts Total	134	134	134	
Other funds total			600	(600)
Total-Individual and Family Support	77,772	79,389	73,364	6,025
Veterans' Affairs				
General Revenue Total	17,109	18,180	17,387	793
Federal Fund Total	6,385	9,436	6,596	2,840
Restricted Receipts Total	1,517	2,097	558	1,539
Total-Veterans' Affairs	25,011	29,713	24,542	5,171
Health Care Quality, Financing and Puchasing				
General Revenue Total	23,023	21,011	20,482	529
Federal Fund Total	43,747	41,881	38,446	3,435
Restricted Receipts Total	187	206	32	174
Total-Health Care Quality, Financing and Purchasing	66,957	63,099	58,959	4,140
Medical Benefits				
General Revenue Total				
Managed Care	259,158	258,634	247,455	11,179
Hospital	127,762	133,320	133,212	108
Other	55,381	53,200	80,310	(27,110)
Pharmacy	63,240	61,446	60,544	902
Long Term Care	171,867	171,700	158,177	13,523
Federal Fund Total				
Managed Care	293,563	292,566	293,488	(922)
Hospital	115,823	131,780	133,203	(1,423)
Long Term Care	189,938	189,700	174,663	15,037
Other	60,551	64,353	94,738	(30,385)
Pharmacy	24,000	23,454	22,434	1,020
Special Education	20,733	20,733	16,152	4,581
Restricted Receipts Total	5,590	4,262	4,300	(38)
Total-Medical Benefits	1,387,604	1,405,148	1,418,678	(13,530)
Supplemental Security Income Program				
General Revenue Total	28,456	28,039	28,021	18
Family Independence Program				
TANF/Families Independence Program	15,958	17,705	19,119	(1,414)
Child Care	7,442	10,438	12,689	(2,251)
Federal Fund Total	84,438	84,561	80,864	3,697
Total-Family Independence Program	107,839	112,703	112,672	31
State Funded Programs				
General Public Assistance	4,090	3,393	3,223	170
Federal Fund Total	85,553	93,368	102,603	(9,235)
Total-State Funded Programs	89,644	96,760	105,826	(9,066)
Total-Department of Human Services	1,809,844	1,801,952	1,847,534	(45,582)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Department of Mental Health, Retardation, and Hospital				
Central Management				
Federal Fund Total	67	118		118
General Revenue Total	741	1,817	1,854	(37)
Total-Central Management	808	1,935	1,854	81
Hospital & Community System Support				
General Revenue Total	4,238	3,545	3,385	160
Federal Fund Total	373	413	300	113
Total-Hospital & Community System Support	4,611	3,959	3,686	273
Services for the Developmentally Disabled				
General Revenue Total	120,498	118,660	120,868	(2,208)
Federal Fund Total	136,747	134,506	137,498	(2,992)
Total-Services for the Developmentally Disabled	257,244	253,166	258,366	(5,200)
Integrated Mental Health Services				
General Revenue Total	43,959	42,010	42,716	(706)
Federal Fund Total	38,245	36,228	37,406	(1,178)
Total-Integrated Mental Health Services	82,204	78,238	80,122	(1,884)
Hospital & Community Rehabilitation Svcs				
General Revenue Total	57,020	51,728	56,712	(4,984)
Federal Fund Total	56,699	50,147	53,825	(3,678)
Restricted Receipts	2,950	2,504	2,486	18
Total-Hospital & Community Rehabilitation Svcs	116,669	104,379	113,023	(8,644)
Substance Abuse				
RICAP-Asset Protection				
General Revenue Total	17,005	16,438	16,417	21
Federal Fund Total	11,840	13,491	12,699	792
Restricted Receipts Total	90	90	102	(12)
Total-Substance Abuse	28,934	30,019	29,218	801
Total-Department of Mental Health, Retardation, and Hospital	490,470	471,695	486,269	(14,574)
Office of Child Advocate				
General Revenue Total	521	485	445	40
Federal Fund Total	40	38	40	(2)
Total-Office of Child Advocate	561	522	485	37
Rhode Island Commission of the Deaf and Hard of Hearing				
General Revenue Total	370	327	289	38
Federal Fund Total	18		(1)	1
Total-Rhode Island Commission of the Deaf and Hard of Hearing	388	327	289	38
RI Developmental Disabilities Council				
Federal Fund Total	461	406	395	11

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Governor's Commission on Disabilities				
General Revenue Total	536	351	350	1
Federal Fund Total	182	194	77	117
Restricted Receipts Total	51	14	13	1
Total-Governor's Commission on Disabilities	768	559	441	118
Office of Mental Health Advocate				
General Revenue Total	424	406	419	(13)
Department of Elementary and Secondary Education				
Education Aid				
General Fund Total	679,417	679,396	679,308	88
Federal Fund Total	1,119	75	7	68
Restricted Receipts Total	1,460	1,459	1,326	133
Total-Education Aid	681,996	680,931	680,640	291
Housing Aid				
General Revenue Total	52,862	49,653	49,652	1
Teachers' Retirement				
General Revenue Total	78,072	80,225	83,029	(2,804)
RI School for the Deaf				
Other Funds		10		10
Restricted Receipts Total		1		1
General Revenue Total	6,808	6,571	6,551	20
Federal Fund Total	368	271	133	138
Total-RI School for the Deaf	7,176	6,854	6,684	170
Central Falls School District				
General Revenue Total	43,795	43,416	43,416	
Davies Career and Technical School				
General Revenue Total	14,572	14,048	14,243	(195)
Federal Fund Total	1,237	1,425	1,104	321
Total-Davies Career and Technical School	15,809	15,473	15,347	126
Metropolitan Career and Technical School				
General Revenue Total	11,488	11,488	11,488	
Administration of the Comprehensive Education Strategy				
General Revenue Total	21,317	20,573	19,985	588
Statewide Uniform Chart of Accounts	1,100	1,100	1,154	(54)
Federal Fund Total	175,672	187,402	174,465	12,937
Restricted Receipts Total	1,190	1,053	855	198
HRIC Adult Education Grants	4,500	4,617	4,326	291
Total-Administration of the Comprehensive Education Strategy	203,778	214,745	200,786	13,959
Total-Department of Elementary & Secondary Education	1,094,975	1,102,784	1,091,042	11,742

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
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(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Board of Governors for Higher Education				
General Revenue Total	8,136	7,908	7,908	
Federal Fund Total	3,526	5,301	4,925	376
Restricted Receipts-BOG	200	453	97	356
General Revenue Total-URI	77,036	74,897	74,897	
General Revenue Total-RIC	45,751	44,347	44,347	
General Revenue Total-CCRI	49,254	47,820	47,820	
Total-Board of Governors for Higher Education	200,488	196,377	195,004	1,373
Rhode Island State Council on the Arts				
Operating Support	1,536	733	743	(10)
Grants	1,241	1,966	1,369	597
Restricted Receipts Total		200		200
Federal Fund Total	706	672	612	60
Art for Public Facilities Fund	3,000	1,000	210	790
Total-Rhode Island Council on the Arts	6,484	4,571	2,934	1,637
Rhode Island Atomic Energy Commission				
URI Sponsored Research	191	240	238	2
General Revenue Total	820	799	834	(35)
Federal Fund Total	421	537	353	184
Total-Rhode Island Atomic Energy Commission	1,431	1,576	1,425	151
R I Higher Education Assistance Authority				
Needs Based Grants and Work Opportunity	10,000	9,244	9,244	
Authority Operations and Other Grants	1,020	976	976	
Total-R I Higher Education Assistance Authority	11,020	10,220	10,220	
Historical Preservation and Heritage Commission				
General Revenue Total	1,578	1,487	1,495	(8)
Federal Fund Total	529	548	509	39
Restricted Receipts Total	496	492	191	301
Total-Historical Preservation and Heritage Commission	2,603	2,527	2,195	332
R I Public Telecommunications Authority				
General Revenue Total	1,364	1,316	1,316	
Department of Attorney General				
Criminal				
General Revenue Total	12,988	13,055	13,107	(52)
Federal Fund Total	1,323	1,275	1,202	73
Restricted Receipts Total	339	332	320	12
Total-Criminal	14,650	14,661	14,629	32

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
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	Original Budget	Final Budget	Actual	Variance
Civil				
General Revenue Total	4,897	4,133	4,043	90
Restricted Receipts Total	634	608	548	60
Total-Civil	5,532	4,741	4,591	150
Bureau of Criminal Identification				
General Revenue Total	1,018	965	940	25
Federal Fund Total	57	118	97	21
Total-Bureau of Criminal Identification	1,074	1,083	1,037	46
General				
General Revenue Total	2,432	2,474	2,459	15
Total-Department of Attorney General	23,688	22,960	22,716	244
Department of Corrections				
Central Management				
General Revenue Total	10,466	9,088	8,405	683
Federal Fund Total	359	140	134	6
Total-Central Management	10,826	9,229	8,539	690
Parole Board				
General Revenue Total	1,259	1,214	1,222	(8)
Federal Fund Total	33	71	52	19
Total-Parole Board	1,292	1,285	1,274	11
Institutional Corrections				
General Revenue Total	160,572	159,947	170,207	(10,260)
Federal Fund Total	2,035	2,568	2,049	519
Total-Institutional Corrections	162,606	162,515	172,256	(9,741)
Community Corrections				
General Revenue Total	15,658	14,302	13,304	998
Federal Fund Total	380	804	454	350
Total-Community Corrections	16,038	15,106	13,758	1,348
General Revenue Total-Corrections	187,955	184,551	193,138	(8,587)
Federal Fund Total-Corrections	2,808	3,584	2,689	895
Total-Department of Corrections	190,762	188,135	195,827	(7,692)
Judicial Department				
Supreme Court				
General Revenue Total	26,369	25,792	25,211	581
Judicial Tenure and Discipline	120	116	108	8
Defense of Indigents	3,066	2,983	3,369	(386)
Federal Fund Total	122	365	250	115
Restricted Receipts Total	1,131	1,455	1,190	265
Total-Supreme Court	30,807	30,712	30,127	585

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
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(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Superior Court				
Federal Fund Total	535	217	155	62
General Revenue Total	20,700	19,595	19,635	(40)
Total-Superior Court	21,235	19,812	19,790	22
Family Court				
General Revenue Total	17,794	17,657	18,017	(360)
Federal Fund Total	1,407	2,097	1,468	629
Total-Family Court	19,201	19,755	19,485	270
District Court				
General Revenue Total	10,638	9,836	9,626	210
Traffic Tribunal				
General Revenue Total	7,387	6,820	6,835	(15)
Worker's Compensation Court				
Restricted Receipts Total	7,387	7,206	7,206	
Total-Judicial Department	96,656	94,141	93,068	1,073
Militia of the State				
National Guard				
General Revenue Total	1,761	1,755	1,586	169
Federal Fund Total	9,289	9,016	7,468	1,548
Restricted Receipts Total	145	160	31	129
Total-National Guard	11,195	10,931	9,086	1,845
Emergency Management				
General Revenue Total	803	743	734	9
Federal Fund Total	11,306	23,629	12,047	11,582
Restricted Receipts Total	263	142	127	15
Total-Emergency Management	12,371	24,513	12,908	11,605
Total-Militia of the State	23,566	35,445	21,994	13,451
E-911 Uniform Emergency Telephone System				
General Revenue Total	4,733	4,879	4,945	(66)
Federal Fund Total		100	15	85
Restricted Receipts Total	1,297	875	875	
Total- E-911 Uniform Emergency Telephone System	6,030	5,854	5,834	20
State Fire Marshall				
General Revenue Total	2,671	2,355	2,204	151
Federal Fund Total	228	1,038	477	561
Total-State Fire Marshall	2,899	3,393	2,682	711
Fire Safety Code Board of Appeal and Review				
General Revenue Total	303	290	288	2

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
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(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Rhode Island Justice Commission				
General Revenue Total	161	232	232	
Federal Fund Total	4,152	4,510	4,145	365
Restricted Receipts Total	30	133	11	122
Total-Rhode Island Justice Commission	4,342	4,875	4,387	488
Municipal Police Training Academy				
General Revenue Total	429	428	434	(6)
Federal Fund Total	50	66	23	43
Total-Municipal Police Training Academy	479	494	456	38
Rhode Island State Police				
Airport Corporation	144	138	140	(2)
Traffic Enforcement-Municipal Training	379	342	253	89
Lottery Commission Assistance	142	137	141	(4)
Road Construction Reimbursement	2,367	2,356	1,957	399
General Revenue Total	52,058	50,689	51,467	(778)
Federal Fund Total	1,092	2,368	1,298	1,070
Restricted Receipts Total	312	461	218	243
Total-Rhode Island State Police	56,494	56,491	55,474	1,017
Office of Public Defender				
General Revenue Total	9,325	9,016	9,031	(15)
Federal Fund Total	422	359	272	87
Total-Office of Public Defender	9,747	9,375	9,303	72
Department of Environmental Management				
Office of Director				
DOT Recreational Projects			(22)	22
General Revenue Total	6,043	5,768	5,789	(21)
Federal Fund Total	556	422	73	349
Restricted Receipts Total	2,505	2,508	2,169	339
Total-Office of Director	9,104	8,698	8,009	689
Natural Resources				
Blackstone Bikepath Design	788	788	236	552
DOT Recreational Projects	118	70	54	16
General Revenue Total	18,318	17,901	19,001	(1,100)
Federal Fund Total	17,159	17,910	8,684	9,226
Restricted Receipts Total	3,830	3,530	3,069	461
Total-Natural Resources	40,213	40,200	31,044	9,156

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance
Environmental Protection				
General Revenue Total	12,052	10,544	11,243	(699)
Federal Fund Total	10,438	12,525	9,267	3,258
Restricted Receipts Total	10,611	10,033	8,246	1,787
Total-Environmental Protection	33,101	33,103	28,755	4,348
Total-Department of Environmental Management	82,418	82,001	67,809	14,192
Coastal Resources Management Council				
General Revenue Total	1,880	1,941	1,985	(44)
Federal Fund Total	1,607	1,770	1,779	(9)
Restricted Receipts Total	1,022	395	120	275
Total-Coastal Resources Management Council	4,509	4,106	3,884	222
Water Resources Board				
General Revenue Total	1,893	1,629	1,226	403
Restricted Receipts Total	400	400	327	73
Total-Water Resources Board	2,293	2,029	1,553	476
Total Departmental Expenditures	5,349,750	5,359,493	5,339,363	20,130
Transfer of Appropriations at June 30, 2007 to RI Capital Fund			7,770	(7,770)
Transfer of Excess Budget Reserve to RI Capital Fund			44,369	(44,369)
Total Expenditures	5,349,750	5,359,493	5,391,502	(32,009)
Change in Fund Balance	$ 5,415,465	$ 68,281	(37,511)	$ (105,792)
Fund balance - beginning			144,166	
Fund balance - ending			$ 106,655	
General Revenue Total	$ 3,407,278	$ 3,367,814	$ 3,405,251	$ (37,437)
Federal Fund Total	1,723,323	1,780,991	1,741,158	39,833
Restricted Receipts Total	161,974	154,732	135,546	19,186
Other Fund Total	57,174	55,956	57,408	(1,452)
	$ 5,349,749	$ 5,359,493	$ 5,339,363	$ 20,130

General Fund - General Revenue Summary

General Revenue - Variance - Final Budget compared to Actual	$ (7,116)
General Revenue Expenditures - Variance - Final Budget compared to actual	$ (37,437)
Change in General Revenue Reappropriations Fiscal 2007 - Fiscal 2008	1,902
Other Adjustments	(299)
	$ (35,834)
Unreserved General Fund (General Revenue) Deficit - June 30, 2008	$ (42,950)

** Certain totals may not add due to rounding.

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 140,550	$ 136,050	$ 135,412	$ (638)
Departmental restricted revenue	662	1,445	(207)	(1,652)
Federal grants	274,707	239,425	196,327	(43,098)
Other revenues	3,019	11,192	5,386	(5,806)
Total revenues	418,938	388,112	336,918	(51,194)
Other financing sources:				
Operating transfers in			28,198	28,198
Payments from component units			52	52
Total revenues and other financing sources	418,938	388,112	365,168	(22,944)
Expenditures:				
Central Management				
Gasoline Tax	3,712	1,558	1,673	(115)
Federal Funds	17,167	17,788	7,298	10,490
Total - Central Management	20,879	19,346	8,971	10,375
Management and Budget				
Gasoline Tax	3,010	2,295	760	1,535
Total - Management and Budget	3,010	2,295	760	1,535
Infrastructure - Engineering				
Gasoline Tax	46,094	46,695	46,317	378
RICAP - RIPTA Land and Buildings Train Station				
State Infrastructure Bank	1,000	1,344		1,344
Land Sale Revenue	2,000	9,346	1,226	8,120
Federal Funds	257,540	221,637	181,123	40,514
Restricted Receipts	662	1,445	(161)	1,606
Subtotal - Infrastructure - Engineering	307,296	280,467	228,505	51,962
State Match - FHWA			28,198	(28,198)
Total - Infrastructure - Engineering	307,296	280,467	256,703	23,764
Infrastructure - Maintenance				
Gasoline Tax	39,479	38,822	37,761	1,061
Outdoor Advertising	19	503		503
Radio System Upgrade		335		335
Nonland Surplus	288	336	270	66
Total - Infrastructure - Maintenance	39,786	39,996	38,031	1,965
Total Expenditures	370,971	342,104	304,465	37,639
Other financing uses:				
Transfers to other funds				
Gas tax			44,239	
Other			852	
Total expenditures and other financing uses			349,556	
Net change in fund balance			15,612	
Fund balance - beginning			32,819	
Fund balance - ending			$ 48,431	

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2008
(Expressed in thousands)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	6,231,410	11,083,014	4,851,604	56.2%	1,619,417	299.6%
06/30/2006	5,651,066	10,575,851	4,924,786	53.4%	1,559,966	315.7%
06/30/2005	5,444,369	9,762,675	4,318,306	55.8%	1,504,526	287.0%

State Police Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	45,997	60,428	14,431	76.1%	15,836	91.1%
06/30/2006	36,315	42,216	5,901	86.0%	13,475	43.8%
06/30/2005	29,617	37,511	7,894	79.0%	13,225	59.7%

Judicial Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age - (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	29,631	35,355	5,725	83.8%	6,452	88.7%
06/30/2006	23,873	27,504	3,631	86.8%	6,313	57.4%
06/30/2005	19,347	22,251	2,904	86.9%	5,685	51.0%

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2008
(Expressed in thousands)

Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-State Employees

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	679,538	679,538	0%	626,145	108.5%
06/30/2005	0	580,041	580,041	0%	575,613	100.8%

Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Teachers

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	10,243	10,243	0%	NA	NA
06/30/2005	0	8,477	8,477	0%	NA	NA

Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Judges

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	14,024	14,024	0%	9,888	141.8%
06/30/2005	0	76	76	0%	5,685	1.3%

Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-State Police

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	54,620	54,620	0%	15,977	341.9%
06/30/2005	0	51,037	51,037	0%	13,821	369.3%

State of Rhode Island and Providence Plantations
Required Supplementary Information
Schedules of Funding Progress
June 30, 2008
(Expressed in thousands)

Other Postemployment Benefits - Rhode Island Retiree Health Care Benefit Plan-Legislators

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
06/30/2007	0	29,764	29,764	0%	1,592	1869.6%
06/30/2005	0	3,919	3,919	0%	1,509	259.7%

Budget and Actual

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly and signed by the Governor, contains a complete plan of estimated revenues (general, federal and restricted), transfers in (general and restricted) and proposed expenditures.

The annual budget is adopted on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding original or final budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

The legal level of budgetary control, i.e. the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch. Federal grant appropriations may also be limited by the availability of matching funds and may also require special approval from a federal agency before reallocating resources among programs.

Internal administrative and accounting budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. Management cannot reduce the budget without special approval.

Unexpended general revenue appropriations lapse at the end of the fiscal year, unless the department/agency directors identify unspent appropriations related to specific projects/purchases and request a reappropriation. If the requests are approved by the Governor, such amounts are reappropriated for the ensuing fiscal year and made immediately available for the same purposes as the former appropriations. Unexpended appropriations of the General Assembly and its legislative commissions and agencies may be reappropriated by the Joint Committee on Legislative Services. If the sum total of all departments and agencies general revenue expenditures exceeds the total general revenue appropriations, it is the policy of management to lapse all unexpended appropriations, except those of the legislative and judicial branches.

The original budget includes the amounts in the applicable appropriation act, general revenue appropriations carried forward by the Governor, and any unexpended balances designated by the General Assembly.

Schedules of Funding Progress-Other Postemployment Benefits

The June 30, 2005 actuarial valuation for the Rhode Island Retiree Health Care Benefits Plans was restated to reflect the changes in the plan provision due to the enactment of

Public Law 2008-09. Those changes in plan provisions became effective for employees retiring on or after October 1, 2008.

The June 30, 2007 actuarial valuation reflects clarification of employees eligible for retiree health care within the judges and legislators plans as well as the benefits received upon attainment of Medicare eligibility. Further for teachers, the required contribution for teachers is not presented as a percentage of payroll since the required contribution by the State is for the Tier I subsidy for teachers who have elected to participate in the State's Retiree Health Care Benefit Plan.

COMBINING

STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes and where a separate fund is mandated.

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Coastal Resources Management Council Dredge Fund – accounts for fees in excess of the base rate per cubic yard for the disposal of dredge materials. These funds must be used to create additional dredging and disposal options.

R.I. Temporary Disability Insurance Fund – accounts for the employee tax on wages that are levied to pay benefits to covered employees who are out of work for an extended period of time due to a non-job-related illness.

Tobacco Settlement Financing Corporation (TFSC) - created to securitize the tobacco settlement revenues from the State.

Tobacco Settlement Financing Trust Fund – created to account for the proceeds from the TSFC until the proceeds are transferred to other funds as prescribed by the legislature.

Capital Project Funds - account for resources obtained and used for the acquisition, construction or improvement of capital facilities not reported in other governmental or proprietary funds

Bond Capital – accounts for the proceeds of the bonds issued and the related capital expenditures not required to be accounted for in another capital projects fund.

R.I. Capital Plan – accounts for the portion of the payment into the budget reserve account that causes the balance in the budget reserve account to be in excess of the legal requirement and proceeds as designated by statute. The fund is to be used solely for funding capital projects.

R.I. Clean Water Act Environmental Trust – accounts for the proceeds of certain bonds issued of which the proceeds are restricted to providing grants and loans to local governmental entities and the required State share or related expenses for the Narragansett Bay study.

R.I. Refunding Bond Authority – accounts for the loan issued to the State to provide funds used to retire certain general obligation bonds and accounts for revenue bonds issued by the R.I. Public Buildings Authority (RIPBA), a blended component unit that was abolished by the State in fiscal 1998. The revenue bonds issued by RIPBA were used to provide funding for the acquisition, construction or improvement of public facilities and equipment.

Certificates of Participation – accounts for the proceeds of the sale of certificates of participation which provide funding for the acquisition, construction or improvement of public facilities and equipment.

Permanent Funds – are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the State's programs.

Permanent School – accounts for certain appropriations of the General Assembly and the earnings thereon, which are to be used for the promotion and support of public education.

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Expressed in Thousands)

	Special Revenue				
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	Tobacco Settlement Trust	Total Special Revenue Funds
Assets					
Cash and cash equivalents	$ 69	$ 95,296	$	$	$ 95,365
Funds on deposit with fiscal agent					
Investments			241		241
Restricted investments			72,280		72,280
Receivables (net)		42,662			42,662
Due from other funds					
Due from other governments and agencies					
Loans to other funds					
Other assets					
Total assets	69	$ 137,958	$ 72,521	$	$ 210,548
Liabilities and Fund Balances					
Liabilities					
Cash overdraft		52			52
Accounts payable	2	103			105
Due to other funds		1,658			1,658
Due to component units					
Loans from other funds					
Other liabilities					
Total liabilities	2	1,813			1,815
Fund balances					
Reserved for:					
Debt			72,521		72,521
Employment Insurance Programs		136,145			136,145
Unreserved					
Special revenue	67				67
Capital projects					
Permanent fund					
Total fund balances	67	136,145	72,521		208,733
Total Liabilities and fund balances	$ 69	$ 137,958	$ 72,521	$	$ 210,548

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Expressed in Thousands)

	Capital Project					
	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation	Total Capital Project Funds
Assets						
Cash and cash equivalents	$ 106,873	$ 11,225	$ 3,746	$ 39	$	$ 121,883
Funds on deposit with fiscal agent					28,395	28,395
Investments						
Restricted investments						
Receivables (net)						
Due from other funds		6,860			71	6,931
Due from other governments and agencies	9					9
Loans to other funds		63,721				63,721
Other assets				2		2
Total assets	$ 106,882	$ 81,806	$ 3,746	$ 41	$ 28,466	$ 220,941
Liabilities and Fund Balances						
Liabilities						
Cash overdraft						
Accounts payable	10,731	9,013	198	1	10,837	30,780
Due to other funds	11,706					11,706
Due to component units	634					634
Loans from other funds	4,400				3,008	7,408
Other liabilities	141	3,751		39		3,931
Total liabilities	27,612	12,764	198	40	13,845	54,459
Fund balances						
Reserved for:						
Debt					1,604	1,604
Employment Insurance Programs						
Unreserved						
Special revenue						
Capital projects	79,270	69,042	3,548	1	13,017	164,878
Permanent fund						
Total fund balances	79,270	69,042	3,548	1	14,621	166,482
Total Liabilities and fund balances	$ 106,882	$ 81,806	$ 3,746	$ 41	$ 28,466	$ 220,941

(Continued)

State of Rhode Island and Providence Plantations
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Expressed in Thousands)

	Permanent School	Total Nonmajor Governmental Funds
Assets		
Cash and cash equivalents	$ 1,020	$ 218,268
Funds on deposit with fiscal agent		28,395
Investments		241
Restricted investments		72,280
Receivables (net)		42,662
Due from other funds	1,153	8,084
Due from other governments and agencies		9
Loans to other funds		63,721
Other assets		2
Total assets	$ 2,173	$ 433,662
Liabilities and Fund Balances		
Liabilities		
Cash overdraft		52
Accounts payable		30,885
Due to other funds		13,364
Due to component units		634
Loans from other funds		7,408
Other liabilities		3,931
Total liabilities		56,274
Fund balances		
Reserved for:		
Debt		74,125
Employment Insurance Programs		136,145
Unreserved		
Special revenue		67
Capital projects		164,878
Permanent fund	2,173	2,173
Total fund balances	2,173	377,388
Total Liabilities and fund balances	$ 2,173	$ 433,662

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Special Revenue				
	Coastal Resources Management Council Dredge	R.I. Temporary Disability	Tobacco Settlement Financing Corporation	Tobacco Settlement Trust	Total Special Revenue Funds
Revenues:					
Taxes	$	$ 166,272	$	$	$ 166,272
Licenses, fines, sales, and services	69				69
Income from investments		3,960	4,123	1,569	9,652
Other revenues		178	53,247		53,425
Total revenues	69	170,410	57,370	1,569	229,418
Expenditures:					
Current:					
General government		177,476	33		177,509
Education					
Natural resources	2				2
Capital outlays					
Debt service:					
Principal			16,620		16,620
Interest and other charges			41,068		41,068
Total expenditures	2	177,476	57,721		235,199
Excess (deficiency) of revenues over (under) expenditures	67	(7,066)	(351)	1,569	(5,781)
Other financing sources (uses)					
Bonds and notes issued					
Refunding bonds issued					
Proceeds from the sale of Certificates of Participation					
Premium and accrued interest					
Operating transfers in					
Other					
Payment to refunded bonds escrow agent					
Discount on issuance of debt					
Operating transfers out		(1,966)		(154,151)	(156,117)
Total other financing sources (uses)		(1,966)		(154,151)	(156,117)
Net change in fund balances	67	(9,032)	(351)	(152,582)	(161,898)
Fund balances - beginning (as restated)		145,177	72,872	152,582	370,631
Fund balances - ending	$ 67	$ 136,145	$ 72,521	$	$ 208,733

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Capital Projects					
	Bond Capital	R.I. Capital Plan	R.I. Clean Water Act Environmental Trust	R.I. Refunding Bond Authority	Certificates of Participation	Total Capital Project Funds
Revenues:						
Taxes	$	$	$	$	$	$
Licenses, fines, sales, and services				30		30
Income from investments	6,671	134	244		1,953	9,002
Other revenues						
Total revenues	6,671	134	244	30	1,953	9,032
Expenditures:						
Current:						
General government						
Education						
Natural resources						
Capital outlays	104,410	31,382	4,307	31	46,129	186,259
Debt service:						
Principal						
Interest and other charges	941	2	1		1,460	2,404
Total expenditures	105,351	31,384	4,308	31	47,589	188,663
Excess (deficiency) of revenues over (under) expenditures	(98,680)	(31,250)	(4,064)	(1)	(45,636)	(179,631)
Other financing sources (uses)						
Bonds and notes issued	131,261		494			131,755
Refunding bonds issued	46,570					46,570
Proceeds from the sale of Certificates of Participation					59,185	59,185
Premium and accrued interest	4,521		6		2,714	7,241
Operating transfers in		100,292				100,292
Other				10		10
Payment to refunded bonds escrow agent	(48,812)				(62,441)	(111,253)
Discount on issuance of debt					(4)	(4)
Operating transfers out	(40,076)			(331)	(25)	(40,432)
Total other financing sources (uses)	93,464	100,292	500	(321)	(571)	193,364
Net change in fund balances	(5,216)	69,042	(3,564)	(322)	(46,207)	13,733
Fund balances - beginning (as restated)	84,486		7,112	323	60,828	152,749
Fund balances - ending	$ 79,270	$ 69,042	$ 3,548	$ 1	$ 14,621	$ 166,482

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Permanent School	Total Nonmajor Governmental Funds
Revenues:		
Taxes	$	$ 166,272
Licenses, fines, sales, and services	366	465
Income from investments	31	18,685
Other revenues		53,425
Total revenues	397	238,847
Expenditures:		
Current:		
General government		177,509
Education	563	563
Natural resources		2
Capital outlays		186,259
Debt service:		
Principal		16,620
Interest and other charges		43,472
Total expenditures	563	424,425
Excess (deficiency) of revenues over (under) expenditures	(166)	(185,578)
Other financing sources (uses)		
Bonds and notes issued		131,755
Refunding bonds issued		46,570
Proceeds from the sale of Certificates of Participation		59,185
Premium and accrued interest		7,241
Operating transfers in	1,153	101,445
Other		10
Payment to refunded bonds escrow agent		(111,253)
Discount on issuance of debt		(4)
Operating transfers out		(196,549)
Total other financing sources (uses)	1,153	38,400
Net change in fund balances	987	(147,178)
Fund balances - beginning (as restated)	1,186	524,566
Fund balances - ending	$ 2,173	$ 377,388

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Temporary Disability Insurance Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
* **Revenues:**				
Taxes	$ 166,272	$ 166,272	$ 166,272	$
Other Revenues	4,138	4,138	4,138	
Total Revenues	170,410	170,410	170,410	
Expenditures:				
Department of Labor and Training				
Income Support				
Temporary Disability Insurance Fund	177,635	176,329	179,235	(2,906)
Total - Income Support	177,635	176,329	179,235	(2,906)
Total - Department of Labor and Training	177,635	176,329	179,235	(2,906)
Treasury Department				
Temporary Disability Insurance Fund	293	240	207	33
Total - Treasury Department	293	240	207	33
Total Expenditures	177,928	176,569	179,442	(2,873)
Net change in fund balance	(7,518)	(6,159)	(9,032)	(2,873)
* Fund balance - beginning	145,177	145,177	145,177	
Fund balance - ending	$ 137,659	$ 139,018	$ 136,145	$ (2,873)

* Resources are not legislatively adopted, budgeted revenues and opening surpluses are assumed to equal actual amounts.

Internal Service Funds

Internal Service Funds are used to account for the financing and providing of specified goods and services, on a centralized basis, for other departments and agencies.

Assessed Fringe Benefits – accounts for the biweekly assessment of a percentage applied to salaries and wages to pay for certain fringe benefits, including workers' compensation to State employees injured on the job.

Central Utilities – processes all electric bills for the state and charges the expending department/agency.

Energy Revolving – accounts for revenues to be used to implement and encourage energy efficiency and cost reduction measures in state facilities or alternate fuel vehicles.

Central Mail – provides for the delivery of mail services for the state.

State Telecommunications – provides the telecommunication services for the State and processes all of the telephone bills for the State and charges the expending department/agency. (Formerly Centrex and Pastore Communications).

Central Pharmacy – maintains an inventory of prescription drugs for use at State institutions.

Central Laundry – provides laundry service to the State institutions.

Automotive Maintenance – approves work orders, pays the corresponding bills for the State fleet and bills the user department/agency.

Central Warehouse – provides a low-cost centralized distribution center for food for State institutions and local public school districts.

Correctional Industries – provides job training for inmates through prison industries.

Surplus Property - accounts for the revenues received and expenses incurred from the disposition of state surplus property.

Record Center – provides a centralized location for the archival of State documents.

Health Insurance-Active – pays active employee health benefits.

Health Insurance-Retirees – pays retiree's health benefits.

Vehicle Replacement Revolving Loan – this fund was seeded with $6,500,000 to purchase State vehicles, with the intent of not needing to issue debt for the purchase of vehicles.

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Energy Revolving	Central Mail	State Tele-communications
Assets:					
Current assets:					
Cash and cash equivalents	$ 1,839	$ 7,862	$ 1,339	$	$
Receivables (net)				378	124
Due from other funds		313		90	
Inventories				404	
Loans to other funds					
Other assets					
Total current assets	1,839	8,175	1,339	872	124
Noncurrent assets:					
Capital assets (net)				132	71
Total noncurrent assets				132	71
Total assets	1,839	8,175	1,339	1,004	195
Liabilities:					
Current liabilities:					
Cash overdraft				486	1,365
Accounts payable	25			73	113
Due to other funds	561		1,339		16
Loans from other funds		7,200			
Other liabilities	6,888	36		98	43
Total current liabilities	7,474	7,236	1,339	657	1,537
Noncurrent liabilities:					
Net OPEB obligation	24	9		9	5
Total noncurrent liabilities	24	9		9	5
Total liabilities	7,498	7,245	1,339	666	1,542
Net Assets:					
Invested in capital assets, net of related debt				132	71
Unrestricted	(5,659)	930		206	(1,418)
Total net assets	$ (5,659)	$ 930	$	$ 338	$ (1,347)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Expressed in Thousands)

	Central Pharmacy	Central Laundry	Automotive Maintenance	Central Warehouse	Correctional Industries	Surplus Property
Assets:						
Current assets:						
Cash and cash equivalents	$	$	$ 317	$ 263	$ 1,241	$ 81
Receivables (net)	2		837	63	564	
Due from other funds	1,338	175			237	
Inventories	222	116	458	720	706	
Loans to other funds						
Other assets	503	155				
Total current assets	2,065	446	1,612	1,046	2,748	81
Noncurrent assets:						
Capital assets (net)		46	87	2,497	311	4
Total noncurrent assets		46	87	2,497	311	4
Total assets	2,065	492	1,699	3,543	3,059	85
Liabilities:						
Current liabilities:						
Cash overdraft	1,291	541				
Accounts payable	534	16	355	424	281	
Due to other funds			124	38		
Loans from other funds						
Other liabilities	67	62	63	64	138	
Total current liabilities	1,892	619	542	526	419	
Noncurrent liabilities:						
Net OPEB obligation	5	10	8	12	20	
Total noncurrent liabilities	5	10	8	12	20	
Total liabilities	1,897	629	550	538	439	
Net Assets:						
Invested in capital assets, net of related debt		46	87	2,497	311	4
Unrestricted	168	(183)	1,062	508	2,309	81
Total net assets	$ 168	$ (137)	$ 1,149	$ 3,005	$ 2,620	$ 85

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Expressed in Thousands)

	Records Center	Health Insurance Active	Health Insurance Retirees	Vehicle Replacement Revolving Loan	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 422	$ 9,865	$ 3,864	$ 5,633	$ 32,726
Receivables (net)	79		639		2,686
Due from other funds		39	1,751		3,943
Inventories					2,626
Loans to other funds		2,100			2,100
Other assets		7,765		975	9,398
Total current assets	501	19,769	6,254	6,608	53,479
Noncurrent assets:					
Capital assets (net)					3,148
Total noncurrent assets					3,148
Total assets	501	19,769	6,254	6,608	56,627
Liabilities:					
Current liabilities:					
Cash overdraft					3,683
Accounts payable	51	16,618	4,032		22,522
Due to other funds	8			207	2,293
Loans from other funds	500		2,100		9,800
Other liabilities	19		3		7,481
Total current liabilities	578	16,618	6,135	207	45,779
Noncurrent liabilities:					
Net OPEB obligation	5				107
Total noncurrent liabilities	5				107
Total liabilities	583	16,618	6,135	207	45,886
Net Assets:					
Invested in capital assets, net of related debt					3,148
Unrestricted	(82)	3,151	119	6,401	7,593
Total net assets	$ (82)	$ 3,151	$ 119	$ 6,401	$ 10,741

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Energy Revolving	Central Mail	State Tele-communications	Central Pharmacy	Central Laundry	Automotive Maintenance
Operating revenues:								
Charges for services	$ 30,784	$ 17,033	$	$ 5,084	$ 1,712	$ 6,362	$ 2,000	$ 11,981
Total operating revenues	30,784	17,033		5,084	1,712	6,362	2,000	11,981
Operating expenses:								
Personal services	2,866	749		710	403	433	791	656
Supplies, materials, and services	33,596	15,154		4,064	2,162	7,424	396	11,034
Depreciation				36	26		93	22
Total operating expenses	36,462	15,903		4,810	2,591	7,857	1,280	11,712
Operating income (loss)	(5,678)	1,130		274	(879)	(1,495)	720	269
Nonoperating revenues (expenses):								
Interest revenue	89							30
Other nonoperating revenues and (expenses)	26							1
Income (loss) before transfers	(5,563)	1,130		274	(879)	(1,495)	720	300
Operating transfers in								
Operating transfers (out)	(1,677)		(1,339)					
Change in net assets	(7,240)	1,130	(1,339)	274	(879)	(1,495)	720	300
Total net assets - beginning	1,581	(200)	1,339	64	(468)	1,663	(857)	849
Total net assets - ending	$ (5,659)	$ 930	$	$ 338	$ (1,347)	$ 168	$ (137)	$ 1,149

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Surplus Property	Records Center	Health Insurance Active	Health Insurance Retirees	Vehicle Replacement Revolving Loan	Total
Operating revenues:								
Charges for services	$ 5,924	$ 4,337	$ 26	$ 742	$ 180,286	$ 43,786	$	$ 310,057
Total operating revenues	5,924	4,337	26	742	180,286	43,786		310,057
Operating expenses:								
Personal services	918	1,690		398				9,614
Supplies, materials, and services	5,023	3,572	3	373	189,862	44,595		317,258
Depreciation	89	117	3					386
Total operating expenses	6,030	5,379	6	771	189,862	44,595		327,258
Operating income (loss)	(106)	(1,042)	20	(29)	(9,576)	(809)		(17,201)
Nonoperating revenues (expenses):								
Interest revenue		59			620	93	51	942
Other nonoperating revenues and (expenses)		1						28
Income (loss) before transfers	(106)	(982)	20	(29)	(8,956)	(716)	51	(16,231)
Operating transfers in						1,428	6,350	7,778
Operating transfers (out)		(1,250)						(4,266)
Change in net assets	(106)	(2,232)	20	(29)	(8,956)	712	6,401	(12,719)
Total net assets - beginning	3,111	4,852	65	(53)	12,107	(593)		23,460
Total net assets - ending	$ 3,005	$ 2,620	$ 85	$ (82)	$ 3,151	$ 119	$ 6,401	$ 10,741

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flow
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Assessed Fringe Benefits	Central Utilities	Energy Revolving	Central Mail
Cash flows from operating activities:				
Cash received from customers	$ 30,903	$ 17,248	$	$ 5,402
Cash payments to suppliers for goods and services	(33,553)	(15,145)		(4,364)
Cash payments to employees for services	3,801	(797)		(708)
Other operating revenue (expense)	26			
Net cash provided by (used for) operating activities	1,177	1,306		330
Cash flows from noncapital financing activities:				
Loans from other funds		2,950		
Loans to other funds				
Repayment of loans to other funds		(1,250)		
Operating transfers in				
Operating transfers out	(1,677)			
Negative cash balance implicitly financed				486
Repayment of prior year negative cash balance implicitly financed				(794)
Net cash provided by (used for) noncapital financing activities	(1,677)	1,700		(308)
Cash flows from capital and related financing activities:				
Acquisition of capital assets				(22)
Net cash provided by (used for) capital and related financing activities				(22)
Cash flows from investing activities:				
Interest on investments	89			
Net cash provided by (used for) investing activities	89			
Net increase (decrease) in cash and cash equivalents	(411)	3,006		
Cash and cash equivalents - July 1	2,250	4,856	1,339	
Cash and cash equivalents - June 30	$ 1,839	$ 7,862	$ 1,339	$
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (5,678)	$ 1,130	$	$ 274
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	$	$	$	$ 36
Other revenue (expense) and operating transfer in (out)	26			
(Increase) decrease in assets:				
Receivables		215		318
Inventory				(324)
Increase (decrease) in liabilities:				
Accounts payable	162	9		24
Accrued expenses	6,667	(48)		2
Total adjustments	6,855	176		56
Net cash provided by (used for) operating activities	$ 1,177	$ 1,306	$	330

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flow
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	State Tele-communications	Central Pharmacy	Central Laundry	Automotive Maintenance
Cash flows from operating activities:				
Cash received from customers	$ 1,686	$ 5,801	$ 1,896	$ 11,890
Cash payments to suppliers for goods and services	(2,283)	(7,401)	(373)	(11,796)
Cash payments to employees for services	(402)	(450)	(785)	(700)
Other operating revenue (expense)				1
Net cash provided by (used for) operating activities	(999)	(2,050)	738	(605)
Cash flows from noncapital financing activities:				
Loans from other funds				
Loans to other funds				
Repayment of loans to other funds				
Operating transfers in				
Operating transfers out				
Negative cash balance implicitly financed	1,365	1,291	541	
Repayment of prior year negative cash balance implicitly financed	(366)		(1,279)	
Net cash provided by (used for) noncapital financing activities	999	1,291	(738)	
Cash flows from capital and related financing activities:				
Acquisition of capital assets				(73)
Net cash provided by (used for) capital and related financing activities				(73)
Cash flows from investing activities:				
Interest on investments				30
Net cash provided by (used for) investing activities				30
Net increase (decrease) in cash and cash equivalents		(759)		(648)
Cash and cash equivalents - July 1		759		965
Cash and cash equivalents - June 30	$	$	$	$ 317
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (879)	$ (1,495)	$ 720	$ 269
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	$ 26	$	$ 93	$ 22
Other revenue (expense) and operating transfer in (out)				1
(Increase) decrease in assets:				
Receivables	(124)	(562)	(104)	102
Inventory		(29)	(2)	(163)
Increase (decrease) in liabilities:				
Accounts payable	(23)	53	25	(792)
Accrued expenses	1	(17)	6	(44)
Total adjustments	(120)	(555)	18	(874)
Net cash provided by (used for) operating activities	$ (999)	$ (2,050)	$ 738	$ (605)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flow
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Central Warehouse	Correctional Industries	Surplus Property	Records Center
Cash flows from operating activities:				
Cash received from customers	$ 5,995	$ 5,562	$ 26	$ 747
Cash payments to suppliers for goods and services	(4,565)	(3,598)	(3)	(361)
Cash payments to employees for services	(939)	(1,693)		(397)
Other operating revenue (expense)		1		
Net cash provided by (used for) operating activities	491	272	23	(11)
Cash flows from noncapital financing activities:				
Loans from other funds				
Loans to other funds				
Repayment of loans to other funds				
Operating transfers in				
Operating transfers out		(1,250)		
Negative cash balance implicitly financed				
Repayment of prior year negative cash balance implicitly financed	(228)			
Net cash provided by (used for) noncapital financing activities	(228)	(1,250)		
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(30)		
Net cash provided by (used for) capital and related financing activities		(30)		
Cash flows from investing activities:				
Interest on investments		59		
Net cash provided by (used for) investing activities		59		
Net increase (decrease) in cash and cash equivalents	263	(949)	23	(11)
Cash and cash equivalents - July 1		2,190	58	433
Cash and cash equivalents - June 30	$ 263	$ 1,241	$ 81	$ 422
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (106)	$ (1,042)	$ 20	$ (29)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	$ 89	$ 117	$ 3	$
Other revenue (expense) and operating transfer in (out)		1		
(Increase) decrease in assets:				
Receivables	334	1,224		4
Inventory	94	40		
Increase (decrease) in liabilities:				
Accounts payable	101	(65)		13
Accrued expenses	(21)	(3)		1
Total adjustments	597	1,314	3	18
Net cash provided by (used for) operating activities	$ 491	$ 272	$ 23	$ (11)

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Cash Flow
Internal Service Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Health Insurance Active	Health Insurance Retirees	Vehicle Replacement Revolving Loan	Total
Cash flows from operating activities:				
Cash received from customers	$ 179,533	$ 44,652	$	$ 311,341
Cash payments to suppliers for goods and services	(189,235)	(44,409)		(317,086)
Cash payments to employees for services				(3,070)
Other operating revenue (expense)				28
Net cash provided by (used for) operating activities	(9,702)	243		(8,787)
Cash flows from noncapital financing activities:				
Loans from other funds		2,100		5,050
Loans to other funds	(4,600)		(768)	(5,368)
Repayment of loans to other funds				(1,250)
Operating transfers in		1,428	6,350	7,778
Operating transfers out				(2,927)
Negative cash balance implicitly financed				3,683
Repayment of prior year negative cash balance implicitly financed	(25)			(2,692)
Net cash provided by (used for) noncapital financing activities	(4,625)	3,528	5,582	4,274
Cash flows from capital and related financing activities:				
Acquisition of capital assets				(125)
Net cash provided by (used for) capital and related financing activities				(125)
Cash flows from investing activities:				
Interest on investments	620	93	51	942
Net cash provided by (used for) investing activities	620	93	51	942
Net increase (decrease) in cash and cash equivalents	(13,707)	3,864	5,633	(3,696)
Cash and cash equivalents - July 1	23,572			36,422
Cash and cash equivalents - June 30	$ 9,865	$ 3,864	$ 5,633	$ 32,726
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ (9,576)	$ (809)	$	$ (17,201)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	$	$	$	$ 386
Other revenue (expense) and operating transfer in (out)				28
(Increase) decrease in assets:				
Receivables		863		2,270
Inventory				(384)
Increase (decrease) in liabilities:				
Accounts payable	(126)	189		(430)
Accrued expenses				6,544
Total adjustments	(126)	1,052		8,414
Net cash provided by (used for) operating activities	$ (9,702)	$ 243	$	$ (8,787)

(Concluded)

Pension Trust Funds

Pension Trust Funds – used to report resources that are required to be held in trust for the members and beneficiaries of the State sponsored defined benefit pension plans.

Employees' Retirement System – a multiple-employer, cost-sharing, public employee retirement plan for State employees, teachers and certain employees of local school districts.

State Police Retirement Benefits Trust – a single-employer public employee retirement plan for State police hired after July 1, 1987.

Judicial Retirement Benefits Trust – a single-employer public employee retirement plan for State judges appointed after December 31, 1989.

Municipal Employees' Retirement System – an agent multiple-employer public employee retirement plan for municipal police, firemen and employees of municipalities, housing authorities and water and sewer districts that have elected to participate.

State of Rhode Island and Providence Plantations
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2008
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Assets					
Cash and cash equivalents	$ 911	$ 1,945	$ 339	$ 142	$ 3,337
Receivables					
Contributions	29,627	3,906			33,533
Due from state for teachers	18,769				18,769
Miscellaneous	2,130	16			2,146
Total receivables	50,526	3,922			54,448
Investments, at fair value					
Equity in Short-Term Investment Fund		3,530			3,530
Equity in Pooled Trust	6,621,796	1,109,832	51,567	32,654	7,815,849
Total investments before lending activities	6,621,796	1,113,362	51,567	32,654	7,819,379
Invested securities lending collateral	946,108	158,569	7,367	4,665	1,116,709
Property and equipment, at cost, net of accumulated depreciation	6,706	989	18	11	7,724
Total assets	7,626,047	1,278,787	59,291	37,472	9,001,597
Liabilities					
Securities lending liability	946,108	158,569	7,367	4,665	1,116,709
Accounts payable	6,976	1,170	40	24	8,210
Net OPEB liability	45	7			52
Total liabilities	953,129	159,746	7,407	4,689	1,124,971
Net assets held in trust for pension benefits	$ 6,672,918	$ 1,119,041	$ 51,884	$ 32,783	$ 7,876,626

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

	Employees' Retirement System	Municipal Employees' Retirement	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	Totals
Additions					
Contributions					
Member contributions	$ 151,237	$ 23,026	$ 1,050	$ 581	$ 175,894
Employer contributions	256,229	33,416	3,720	2,129	295,494
State contributions for teachers	82,456				82,456
Interest on service credits purchased	2,139	305			2,444
Total contributions	492,061	56,747	4,770	2,710	556,288
Investment income					
Net appreciation in fair value of investments	(580,539)	(96,733)	(4,360)	(2,786)	(684,418)
Interest	108,717	18,127	794	508	128,146
Dividends	75,501	12,559	559	358	88,977
Other investment income	5,598	929	40	25	6,592
	(390,723)	(65,118)	(2,967)	(1,895)	(460,703)
Less investment expense	24,285	4,038	180	116	28,619
Net income (loss) from investing activities	(415,008)	(69,156)	(3,147)	(2,011)	(489,322)
Securities Lending					
Securities lending income	45,641	7,646	354	224	53,865
Less securities lending expense	39,004	6,537	304	192	46,037
Net securities lending income	6,637	1,109	50	32	7,828
Total net investment income (loss)	(408,371)	(68,047)	(3,097)	(1,979)	(481,494)
Total additions	83,690	(11,300)	1,673	731	74,794
Deductions					
Benefits					
Retirement benefits	472,163	45,387	187	451	518,188
Cost of living adjustment	129,221	7,550	9	21	136,801
SRA Plus (option)	26,821	2,000			28,821
Supplemental benefits	1,090				1,090
Death benefits	2,257	547			2,804
Total benefits	631,552	55,484	196	472	687,704
Refund of contributions	8,856	1,984			10,840
Administrative expense	7,217	1,142	38	25	8,422
Total deductions	647,625	58,610	234	497	706,966
Change in net assets	(563,935)	(69,910)	1,439	234	(632,172)
Net assets held in trust for pension benefits					
Net assets - beginning	7,236,853	1,188,951	50,445	32,549	8,508,798
Net assets - ending	$ 6,672,918	$ 1,119,041	$ 51,884	$ 32,783	$ 7,876,626

Agency Funds

Agency Funds – used to report resources held by the State in a purely custodial capacity (assets equal liabilities).

BOG Retiree Health – accounts for the contributions on behalf of the retirees from the Board of Governors for Higher Education.

RIPTA Retiree Health – accounts for the contributions on behalf of the retirees from the Rhode Island Public Transit Authority.

Statutory Deposits – accounts for deposits required from financial institutions, principally insurance companies, doing business within the state.

Court Deposits – accounts for deposits held by various state courts pending resolution of litigation between two or more parties.

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

BOG Retiree Health Fund

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	$	$ 822	$	$ 822
Investments				
Receivables	$ 1,104	$	$ 862	$ 242
Total assets	$ 1,104	$ 822	$ 862	$ 1,064
Liabilities				
Deposits held for others	$	$ 356	$	$ 356
Accounts payable	$ 1,104	$	$ 396	$ 708
Total liabilities	$ 1,104	$ 356	$ 396	$ 1,064

RIPTA Health Fund

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	$	$ 1,234	$	$ 1,234
Receivables	$ 3,207	$	$ 1,274	$ 1,933
Total assets	$ 3,207	$ 1,234	$ 1,274	$ 3,167
Liabilities				
Deposits held for others	$	$ 57	$	$ 57
Accounts payable	$ 3,207	$	$ 97	$ 3,110
Total liabilities	$ 3,207	$ 57	$ 97	$ 3,167

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2008
(Expressed in Thousands)

Statutory Deposits

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	$ 5,254	$ 5,507	$	$ 10,761
Deposits held as security for entities doing business in the State	66,438	10,578		77,016
Total assets	$ 71,692	$ 16,085	$	$ 87,777
Liabilities				
Deposits held for others	$ 71,692	$ 16,085	$	$ 87,777
Total liabilities	$ 71,692	$ 16,085	$	$ 87,777

Court Deposits

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	$ 14,046	$	$ 1,213	$ 12,833
Total assets	$ 14,046	$	$ 1,213	$ 12,833
Liabilities				
Deposits held for others	$ 14,046	$	$ 1,213	$ 12,833
Total liabilities	$ 14,046	$	$ 1,213	$ 12,833

Total - All Agency Funds

Assets	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Cash and cash equivalents	$ 19,300	$ 7,563	$ 1,213	$ 25,650
Deposits held as security for entities doing business in the State	66,438	10,578		77,016
Receivables	4,311		2,136	2,175
Total assets	$ 90,049	$ 18,141	$ 3,349	$ 104,841
Liabilities				
Deposits held for others	$ 85,738	$ 16,498	$ 1,213	$ 101,023
Accounts payable	4,311		493	3,818
Total liabilities	$ 90,049	$ 16,498	$ 1,706	$ 104,841

(Concluded)

Discretely Presented Component Units

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the state.

Rhode Island Student Loan Authority (RISLA) - created in order to provide a statewide student loan program through the acquisition of student loans.

Rhode Island Turnpike and Bridge Authority (RITBA) - created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law.

Rhode Island Economic Development Corporation (RIEDC) - created in 1995 and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the state, which will promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose.

Narragansett Bay Commission (NBC) - created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities.

Rhode Island Health and Educational Building Corporation (RIHEBC) – created: (1) to assist in providing financing for education facilities for colleges and universities operating in the state; (2) to assist hospitals in the state in the financing of health care facilities; (3) to assist stand-alone, non-profit assisted-living and adult daycare facilities; (4) to assist in financing a broad range of non-profit health care providers; and (5) to assist in financing non-profit secondary schools and child care centers.

Rhode Island Resource Recovery Corporation (RIRRC) created in order to provide and/or coordinate solid waste management services to municipalities and persons within the state. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose.

Rhode Island Higher Education Assistance Authority (RIHEAA) - created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student financial assistance.

Discretely Presented Component Units

Rhode Island Public Transit Authority (RIPTA) created to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such.

Rhode Island Industrial Facilities Corporation (RIIFC) - created to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the state.

Rhode Island Clean Water Finance Agency (RICWFA) created for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the state for the construction or upgrading of water pollution abatement projects.

Rhode Island Industrial-Recreational Building Authority (RIIRBA) created to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State.

Rhode Island Water Resources Board Corporate (RIWRBC) - created to foster and guide the development of water resources including the establishment of water supply facilities and lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the State.

Rhode Island Public Telecommunications Authority (RIPTCA) – created to operate a non-commercial educational television station in the state.

The College Crusade of Rhode Island (TCCRI) - created for the purpose of fostering the education of economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students. (Formerly known as Rhode Island Children's Crusade for Higher Education)

University of Rhode Island (URI), Rhode Island College (RIC) and Community College of Rhode Island (CCRI) – collectively these three institutions are the higher education system of the State.

Central Falls School District (CFSD) – created to provide elementary and secondary education to residents of the City of Central Falls.

For more detailed information, contact the applicable administration office as listed in Note 1(B).

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2008
(expressed in thousands)

	RIHMFC	RISLA	RITBA	RIEDC	NBC	RIHEBC	RIRRC
Assets							
Current Assets:							
Cash and cash equivalents	$ 1,090	$ 2,133	$ 3,820	$ 44,511	$ 13,645	$ 286	$ 16,551
Investments						5,540	
Receivables (net)	21,784	83,635	58	6,302	22,505	1,065	7,336
Restricted assets:							
Cash and cash equivalents	224,893	61,321	2,654	19,435			
Investments	122,950	75,512	3,581	34,097			
Other assets	7,078		67	2,921			
Due from primary government				634			
Due from other governments				2,199			
Due from other component units							
Inventories							
Other assets	4,296	1,466	253	1,152	279	29	2,250
Total current assets	382,091	224,067	10,433	111,251	36,429	6,920	26,137
Noncurrent Assets:							
Investments			22,423				
Receivables (net)	1,592,792	829,103		15,723	62	2,995	
Restricted assets:							
Cash and cash equivalents				100,331	47,086		492
Investments	103,376		418	15,939			1,662
Other assets	13,721			34,817			79,916
Capital assets - nondepreciable			2,677	116,099	415,607		14,835
Capital assets - depreciable (net)		3,611	83,127	377,584	223,261	38	47,484
Other assets, net of amortization	16,253	4,347	143	7,113	5,749		14,861
Total noncurrent assets	1,726,142	837,061	108,788	667,606	691,765	3,033	159,250
Total assets	2,108,233	1,061,128	119,221	778,857	728,194	9,953	185,387
Liabilities							
Current liabilities:							
Cash overdraft		455					
Accounts payable	7,349		2,518	1,988	13,755		9,571
Due to primary government	12,000						
Due to other component units							
Due to other governments		870					
Deferred revenue		6,263	689				
Other liabilities	193,357	5,099	2,184	33,668	281	246	4,435
Current portion of long-term debt	122,595	6,303	2,105	5,361	17,704		1,450
Total current liabilities	335,301	18,990	7,496	41,017	31,740	246	15,456
Noncurrent liabilities:							
Due to primary government				11,678			
Due to other governments							
Due to other component units							
Deferred revenue				245			
Notes payable		2,731		5,649			625
Loans payable				83	253,085		
Obligations under capital leases				1,542	339		
Net OPEB obligation							
Other liabilities	6,771	20,953		5,640	181		84,847
Compensated absences							
Bonds payable	1,493,775	941,133	23,691	365,167	156,099		14,564
Total noncurrent liabilities	1,500,546	964,817	23,691	390,004	409,704		100,036
Total liabilities	1,835,847	983,807	31,187	431,021	441,444	246	115,492
Net assets							
Invested in capital assets, net of related debt	9,766	196	57,596	224,143	228,385	39	46,929
Restricted for:							
Debt	207,217	75,583	6,359				2,155
Other				79,366	190		
Other nonexpendable							
Unrestricted	55,403	1,542	24,079	44,327	58,175	9,668	20,811
Total net assets	$ 272,386	$ 77,321	$ 88,034	$ 347,836	$ 286,750	$ 9,707	$ 69,895

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2008
(expressed in thousands)

	RIHEAA	RIPTA	RIIFC	RICWFA	RIIRBA	RIWRBC	RIPTCA	TCCRI
Assets								
Current Assets:								
Cash and cash equivalents	$ 16,943	$ 4,761	$ 537	$ 53,843	$ 2,511	$ 857	$ 255	$ 624
Investments	5,874	1,938		77,329			689	5,423
Receivables (net)	287	5,080	5	47,398		1,276	485	575
Restricted assets:								
Cash and cash equivalents				19			83	99
Investments				166,963				
Other assets								
Due from primary government		3,547						
Due from other governments	1,279							
Due from other component units			68		689			
Inventories		2,728					19	
Other assets	16	115		153		35	91	18
Total current assets	24,399	18,169	610	345,705	3,200	2,168	1,622	6,739
Noncurrent Assets:								
Investments	2,103					2,431		
Receivables (net)	144			657,928				
Restricted assets:								
Cash and cash equivalents	614		689					
Investments								
Other assets								
Capital assets - nondepreciable	307	6,557			181		821	
Capital assets - depreciable (net)	904	77,078		46	353		6,027	25
Other assets, net of amortization				6,517		1,135	105	34
Total noncurrent assets	4,072	83,635	689	664,491	534	3,566	6,953	59
Total assets	28,471	101,804	1,299	1,010,196	3,734	5,734	8,575	6,798
Liabilities								
Current liabilities:								
Cash overdraft								
Accounts payable	793	6,292		500	17	17	136	595
Due to primary government								
Due to other component units					68			
Due to other governments	584							
Deferred revenue		5	137			294	89	15
Other liabilities		5,944		7,199	689	122	223	1,168
Current portion of long-term debt	157			28,735		1,754	819	
Total current liabilities	1,534	12,241	137	36,434	774	2,187	1,267	1,778
Noncurrent liabilities:								
Due to primary government								
Due to other governments	207							
Due to other component units			689					
Deferred revenue	434							
Notes payable								
Loans payable								
Obligations under capital leases							54	
Net OPEB obligation							25	
Other liabilities		9,213		2,196				
Compensated absences	209	7,221					240	
Bonds payable				620,147		7,673		
Total noncurrent liabilities	850	16,434	689	622,343		7,673	319	
Total liabilities	2,384	28,675	826	658,777	774	9,860	1,586	1,778
Net assets								
Invested in capital assets, net of related debt	1,211	83,635		46	535		5,975	26
Restricted for:								
Debt				329,259				
Other	24,876					(4,271)	1,168	1,594
Other nonexpendable								
Unrestricted		(10,506)	473	22,114	2,425	145	(154)	3,400
Total net assets	$ 26,087	$ 73,129	$ 473	$ 351,419	$ 2,960	$ (4,126)	$ 6,989	$ 5,020

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Net Assets
Component Units
June 30, 2008
(expressed in thousands)

	URI	RIC	CCRI	CFSD	Totals
Assets					
Current Assets:					
Cash and cash equivalents	$ 55,711	$ 16,978	$ 13,135	$ 4,634	$ 252,825
Investments					96,793
Receivables (net)	33,665	3,677	3,507	81	238,721
Restricted assets:					
Cash and cash equivalents	957		2,390		311,851
Investments					403,103
Other assets					10,066
Due from primary government					4,181
Due from other governments				1,804	5,282
Due from other component units					757
Inventories					2,747
Other assets	4,498	606	910		16,167
Total current assets	94,831	21,261	19,942	6,519	1,342,493
Noncurrent Assets:					
Investments	93,499	20,133	1,368		141,957
Receivables (net)	18,706	4,083	41		3,121,577
Restricted assets:					
Cash and cash equivalents	13	1,857	1,822		152,904
Investments					121,395
Other assets	5,825	1,241	750		136,270
Capital assets - nondepreciable	63,173	4,310	4,919		629,486
Capital assets - depreciable (net)	354,608	82,937	43,172	3,297	1,303,552
Other assets, net of amortization	8,003	2			64,262
Total noncurrent assets	543,827	114,563	52,072	3,297	5,671,403
Total assets	638,658	135,824	72,014	9,816	7,013,896
Liabilities					
Current liabilities:					
Cash overdraft					455
Accounts payable	25,765	7,973	7,744	1,919	86,932
Due to primary government		690			12,690
Due to other component units					68
Due to other governments					1,454
Deferred revenue	13,603	2,473	2,249		25,817
Other liabilities	1,261	4,292	665	3,331	264,164
Current portion of long-term debt	7,865	4,098	4,112	251	203,309
Total current liabilities	48,494	19,526	14,770	5,501	594,889
Noncurrent liabilities:					
Due to primary government		18,637			30,315
Due to other governments		3,756			3,963
Due to other component units					689
Deferred revenue					679
Notes payable		1,775			10,780
Loans payable	1,690			10	254,868
Obligations under capital leases	11,244		1,693	56	14,928
Net OPEB obligation	1,566	486	341	1,819	4,237
Other liabilities	12,263	258	44		142,366
Compensated absences	17,329	2,331	836	1,429	29,595
Bonds payable	174,290	10,967	2,436		3,809,942
Total noncurrent liabilities	218,382	38,210	5,350	3,314	4,302,362
Total liabilities	266,876	57,736	20,120	8,815	4,897,251
Net assets					
Invested in capital assets, net of related debt	236,957	54,598	40,358	3,103	993,498
Restricted for:					
Debt					620,573
Other	26,317	4,387	5,337	116	139,080
Other nonexpendable	76,058	16,152			92,210
Unrestricted	32,450	2,951	6,199	(2,218)	271,284
Total net assets	$ 371,782	$ 78,088	$ 51,894	$ 1,001	$ 2,116,645

(Concluded)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
(expressed in thousands)

	RIHMFC	RISLA	RITBA	RIEDC	NBC
Operating revenues:					
Charges for services	$ 8,377	$	$ 12,040	$ 62,351	$ 67,078
Interest income on loans	85,399	54,315		545	
Interest on investments	18,825	7,952			
Net increase (decrease) in fair value of investments	1,576				
Other operating income	9			260	
Total operating revenues	114,186	62,267	12,040	63,156	67,078
Operating expenses:					
Personal services	12,811	2,564	1,918	26,460	17,053
Supplies, materials, and services	9,408	7,259	1,780	17,331	14,522
Interest expense	73,620	39,610			
Grants, scholarships and contract programs				11,277	
Depreciation, depletion and amortization	2,757	969	2,399	17,903	7,464
Other operating expenses	7,648	10,554	1,141	10,527	78
Total operating expenses	106,244	60,956	7,238	83,498	39,117
Operating income (loss)	7,942	1,311	4,802	(20,342)	27,961
Nonoperating revenues (expenses):					
Interest revenue			2,335	7,555	2,196
Grants				10,036	28
Payments (to) from primary government	(26,020)			21,327	
Gain (loss) on sale of property				1,684	12
Interest expense			(1,211)	(17,544)	(13,121)
Net investment income (loss)					
Other nonoperating revenue (expenses)			(4)	8,792	58
Total nonoperating revenue (expenses)	(26,020)		1,120	31,850	(10,827)
Income (loss) before contributions	(18,078)	1,311	5,922	11,508	17,134
Capital contributions				36,493	
Capital contributions - other				124	
Special items					
Change in net assets	(18,078)	1,311	5,922	48,125	17,134
Total net assets - beginning as restated	290,464	76,010	82,112	299,711	269,616
Total net assets - ending	$ 272,386	$ 77,321	$ 88,034	$ 347,836	$ 286,750

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
(expressed in thousands)

	RIHEBC	RIRRC	RIHEAA	RIPTA	RIIFC
Operating revenues:					
Charges for services	$ 1,979	$ 63,656	$ 14,889	$ 32,643	$ 111
Interest income on loans	164				
Interest on investments					
Net increase (decrease) in fair value of investments					
Other operating income		3,337	403		9
Total operating revenues	2,143	66,993	15,292	32,643	120
Operating expenses:					
Personal services	378	14,152	3,220	47,261	62
Supplies, materials, and services	1,473	21,209	6,132	50,050	47
Interest expense					
Grants, scholarships and contract programs		3,012	16,759		
Depreciation, depletion and amortization	23	13,776	257	10,633	
Other operating expenses		9,553	125		
Total operating expenses	1,874	61,702	26,493	107,944	109
Operating income (loss)	269	5,291	(11,201)	(75,301)	11
Nonoperating revenues (expenses):					
Interest revenue	205	1,383	1,150	382	19
Grants			368	20,602	
Payments (to) from primary government		(5,000)	10,220	32,725	
Gain (loss) on sale of property	(1)	(423)		(69)	
Interest expense		(854)			
Net investment income (loss)					
Other nonoperating revenue (expenses)				2,907	
Total nonoperating revenue (expenses)	204	(4,894)	11,738	56,547	19
Income (loss) before contributions	473	397	537	(18,754)	30
Capital contributions				4,104	
Capital contributions - other					
Special items					
Change in net assets	473	397	537	(14,650)	30
Total net assets - beginning as restated	9,234	69,498	25,550	87,779	443
Total net assets - ending	$ 9,707	$ 69,895	$ 26,087	$ 73,129	$ 473

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
(expressed in thousands)

	RICWFA	RIIRBA	RIWRBC	RIPTCA	TCCRI
Operating revenues:					
Charges for services	$ 3,817	$ 182	$ 1,226	$ 619	$
Interest income on loans	15,371				
Interest on investments	12,376				166
Net increase (decrease) in fair value of investments					
Other operating income	2,176	100		4,348	4,848
Total operating revenues	33,740	282	1,226	4,967	5,014
Operating expenses:					
Personal services	501			3,437	2,591
Supplies, materials, and services	2,531	143	35	1,733	564
Interest expense	26,379				15
Grants, scholarships and contract programs					2,267
Depreciation, depletion and amortization	390	14	107	938	23
Other operating expenses					40
Total operating expenses	29,801	157	142	6,108	5,500
Operating income (loss)	3,939	125	1,084	(1,141)	(486)
Nonoperating revenues (expenses):					
Interest revenue		76	135	(58)	
Grants	10,904				
Payments (to) from primary government				2,292	1,056
Gain (loss) on sale of property					
Interest expense			(416)	(61)	
Net investment income (loss)					
Other nonoperating revenue (expenses)			3	217	
Total nonoperating revenue (expenses)	10,904	76	(278)	2,390	1,056
Income (loss) before contributions	14,843	201	806	1,249	570
Capital contributions					
Capital contributions - other					
Special items					
Change in net assets	14,843	201	806	1,249	570
Total net assets - beginning as restated	336,576	2,759	(4,932)	5,740	4,450
Total net assets - ending	$ 351,419	$ 2,960	$ (4,126)	$ 6,989	$ 5,020

(Continued)

State of Rhode Island and Providence Plantations
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Component Units
(expressed in thousands)

	URI	RIC	CCRI	CFSD	Totals
Operating revenues:					
Charges for services	$ 222,793	$ 55,145	$ 38,875	$ 1,205	$ 586,986
Interest income on loans					155,794
Interest on investments					39,319
Net increase (decrease) in fair value of investments					1,576
Other operating income	97,044	17,162	16,479	8,616	154,791
Total operating revenues	319,837	72,307	55,354	9,821	938,466
Operating expenses:					
Personal services	260,096	87,742	71,812	54,266	606,324
Supplies, materials, and services	113,025	22,497	24,749	1,548	296,036
Interest expense				15	139,639
Grants, scholarships and contract programs	18,626	5,080	2,481		59,502
Depreciation, depletion and amortization	20,378	4,713	2,946	276	85,966
Other operating expenses			149		39,815
Total operating expenses	412,125	120,032	102,137	56,105	1,227,282
Operating income (loss)	(92,288)	(47,725)	(46,783)	(46,284)	(288,816)
Nonoperating revenues (expenses):					
Interest revenue				19	15,397
Grants		3,165	1,093		46,196
Payments (to) from primary government	75,390	44,347	47,820	44,088	248,245
Gain (loss) on sale of property					1,203
Interest expense	(8,393)	(1,587)	(188)		(43,375)
Net investment income (loss)	3,839	(202)	416		4,053
Other nonoperating revenue (expenses)	14,941	6		65	26,985
Total nonoperating revenue (expenses)	85,777	45,729	49,141	44,172	298,704
Income (loss) before contributions	(6,511)	(1,996)	2,358	(2,112)	9,888
Capital contributions	56,162	3,833	1,592		102,184
Capital contributions - other			1,094		1,218
Special items					
Change in net assets	49,651	1,837	5,044	(2,112)	113,290
Total net assets - beginning as restated	322,131	76,251	46,850	3,113	2,003,355
Total net assets - ending	$ 371,782	$ 78,088	$ 51,894	$ 1,001	$ 2,116,645

(Concluded)

STATISTICAL SECTION

Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's overall financial health.

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Financial Trends 174
These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity 179
These schedules contain information to help the reader assess the State's most significant taxes, income and sales.

Debt Capacity 186
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information 188
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information 190
These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports of the relevant year. The State implemented GASB Statement 34 in 2002.

State of Rhode Island and Providence Plantations
Schedule of Net Assets by Components
Last Seven Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities							
Invested in capital assets, net of related debt	$ 1,820,078	$ 1,691,793	$ 1,591,074	$ 816,578	$ 675,696	$ 481,460	$ 371,614
Restricted	427,588	373,788	369,137	315,370	301,346	273,559	196,913
Unrestricted	(1,418,205)	(1,082,664)	(929,476)	(936,437)	(981,605)	(860,310)	(124,431)
Total governmental activities net assets	$ 829,461	$ 982,917	$ 1,030,735	$ 195,511	$ (4,563)	$ (105,291)	$ 444,096
Business-type activities							
Invested in capital assets, net of related debt	$ (60,902)	$ (109,435)	$ (131,941)	$ (71,413)	$ (84,910)	$ (83,896)	$ (84,909)
Restricted	198,928	294,395	302,689	233,476	251,596	283,944	340,512
Unrestricted	(15,345)	(16,616)	(10,691)	(10,183)	(14,351)	(12,455)	1,650
Total business-type activities net assets	$ 122,681	$ 168,344	$ 160,057	$ 151,880	$ 152,335	$ 187,593	$ 257,253
Primary government							
Invested in capital assets, net of related debt	$ 1,759,176	$ 1,582,358	$ 1,459,133	$ 745,165	$ 590,786	$ 397,564	$ 286,705
Restricted	626,516	668,183	671,826	548,846	552,942	557,503	537,425
Unrestricted	(1,433,550)	(1,099,280)	(940,167)	(946,620)	(995,956)	(872,765)	(122,781)
Total primary government net assets	$ 952,142	$ 1,151,261	$ 1,190,792	$ 347,391	$ 147,772	$ 82,302	$ 701,349

(a) The decrease in total primary government net assets between fiscal years 2002 and 2003 is primarily because the Tobacco Settlement Financing (TSFC) was reported as a discretely presented component unit for fiscal 2002. In April 2004, the Government Accounting Standards Board issued Bulletin 2004-1, Tobacco Settlement Recognition and Financial Reporting Entity Issues, which resulted in TSFC being reported as a blended unit for fiscal 2003 and subsequent years. The reduction in net assets is attributable to the inclusion of TSFC's debt within the primary government.

(b) The increase in total primary government net assets between fiscal years 2005 and 2006 is attributable to the recording of retroactive infrastructure fiscal years 1981 – 2001 in accordance with GASB Statement No. 34.

State of Rhode Island and Providence Plantations
Schedule of Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
General government	$ 894,766	$ 858,729	$ 527,841	$ 503,659	$ 474,640	$ 459,989	$ 455,489
Human services	2,736,956	2,519,745	2,622,935	2,512,628	2,420,998	2,244,980	2,115,220
Education	1,361,310	1,320,384	287,119	264,385	75,654	103,476	339,455
Public safety	428,351	391,354	370,706	336,069	321,015	309,569	288,291
Natural resources	90,087	91,758	74,695	65,913	61,839	67,597	138,287
Transportation	240,644	281,518	323,517	226,529	173,935	170,082	192,824
Intergovernmental			1,213,050	1,127,496	1,047,537	947,792	896,512
Grants					299,381	291,208	287
Interest and other charges	133,298	107,211	92,121	116,171	104,760	98,831	79,381
Total governmental activities	5,885,412	5,570,699	5,511,984	5,152,850	4,979,759	4,693,524	4,505,746
Business-type activities:							
Lottery	2,042,722	1,487,239	1,409,134	1,330,298	1,200,059	1,054,764	958,626
Convention Center	41,007	42,859	37,862	35,746	62,622	59,372	57,900
Employment insurance	259,246	210,060	197,724	209,018	238,220	262,585	231,665
Total business-type activities	2,342,975	1,740,158	1,644,720	1,575,062	1,500,901	1,376,721	1,248,191
Total Primary government expenses	$ 8,228,387	$ 7,310,857	$ 7,156,704	$ 6,727,912	$ 6,480,660	$ 6,070,245	$ 5,753,937
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$ 178,590	$ 132,152	$ 146,575	$ 141,290	$ 137,913	$ 108,369	$ 140,869
Human services	167,241	125,901	127,738	122,212	124,716	113,247	98,789
Education	36,241	11,180	5,638	3,469	3,320	2,877	2,744
Public safety	36,194	49,821	53,851	46,216	43,487	60,341	30,230
Natural resources	31,753	31,932	27,487	30,340	31,191	25,807	30,573
Transportation	(207)	875	(561)	8,257	1,739	3,092	2,802
Operating grants and contributions	1,827,704	1,716,318	1,821,134	1,794,965	1,703,526	1,452,834	1,315,974
Capital grants and contributions	112,712	151,528	156,828	97,681	156,372	191,993	176,071
Total governmental activities program revenues	2,390,228	2,219,707	2,338,690	2,244,430	2,202,264	1,958,560	1,798,052
Business-type activities:							
Charges for services	2,601,083	2,028,470	1,947,732	1,835,511	1,684,585	1,473,723	1,345,922
Operating grants and contributions	3,285	4,607	2,342	2,633	29,492	45,712	50,656
Total business-type activities program revenues	2,604,368	2,033,077	1,950,074	1,838,144	1,714,077	1,519,435	1,396,578
Total primary government program revenues	$ 4,994,596	$ 4,252,784	$ 4,288,764	$ 4,082,574	$ 3,916,341	$ 3,477,995	$ 3,194,630
Net (Expenses)/Revenues							
Governmental activities	(3,495,184)	(3,350,992)	(3,173,294)	(2,908,420)	(2,777,495)	(2,734,964)	(2,707,694)
Business-type activities	261,393	292,919	305,354	263,082	213,176	142,714	148,387
Total primary government net expenses	$ (3,233,791)	$ (3,058,073)	$ (2,867,940)	$ (2,645,338)	$ (2,564,319)	$ (2,592,250)	$ (2,559,307)

(Continued)

State of Rhode Island and Providence Plantations
Schedule of Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Revenue and Other Changes in Net Assets							
Governmental activities:							
Taxes	$ 2,820,709	$ 2,842,828	$ 2,794,230	$ 2,687,684	$ 2,477,453	$ 2,335,329	$ 2,187,342
Interest and investment earnings	32,466	37,539	25,644	14,443	9,812	7,668	10,005
Miscellaneous	121,273	106,543	114,362	104,411	136,122	160,547	153,947
Gain on sale of capital assets	3,026			853			
Special items						1,511	525,276
Transfers	324,928	304,906	312,755	293,993	266,886	235,064	198,969
Payments from component units	39,284	10,108	14,715	18,503			
Total governmental activities	3,341,686	3,301,924	3,261,706	3,119,887	2,890,273	2,740,119	3,075,539
Business-type activities:							
Interest and investment earnings	9,531	12,137	8,826	10,875	12,884	17,336	21,134
Miscellaneous	8,341	8,137	6,752	7,633	5,568	5,354	7,615
Special items				11,948			
Transfers	(324,928)	(304,906)	(312,755)	(293,993)	(266,886)	(235,064)	(198,969)
Total business-type activities	(307,056)	(284,632)	(297,177)	(263,537)	(248,434)	(212,374)	(170,220)
Total primary government	3,034,630	3,017,292	2,964,529	2,856,350	2,641,839	2,527,745	2,905,319
Changes in Net Assets							
Governmental activities	(153,498)	(49,068)	88,412	211,467	112,778	5,155	367,845
Business-type activities	(45,663)	8,287	8,177	(455)	(35,258)	(69,660)	(21,833)
Total primary government	$ (199,161)	$ (40,781)	$ 96,589	$ 211,012	$ 77,520	$ (64,505)	$ 346,012

(Concluded)

State of Rhode Island and Providence Plantations
Schedule of Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Fund							
Reserved	$ 149,605	$ 144,166	$ 164,866	$ 146,103	$ 131,843	$ 129,205	$ 132,761
Unreserved	(42,950)		38,331	38,699	24,451	42,634	31,039
Total General Fund	$ 106,655	$ 144,166	$ 203,197	$ 184,802	$ 156,294	$ 171,839	$ 163,800
All Other Governmental Funds							
Reserved	$ 264,727	$ 260,607	$ 220,612	$ 224,483	$ 217,048	$ 189,911	$ 20,887
Unreserved, reported in:							
Special Revenue Funds	7,671	155,482	22,759	32,588	36,458	25,403	241,461
Permanent Funds	2,173	1,186	988	917	875	837	786
Capital Projects Funds	303,965	360,026	469,018	388,829	298,920	70,153	87,130
Total All Other Governmental Funds	$ 578,536	$ 777,301	$ 713,377	$ 646,817	$ 553,301	$ 286,304	$ 350,264

State of Rhode Island and Providence Plantations
Schedule of Changes in Fund Balances of Governmental Funds
Last Seven Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenues:							
Taxes	$ 2,818,085	$ 2,848,284	$ 2,792,961	$ 2,687,482	$ 2,477,878	$ 2,330,076	$ 2,181,956
Licenses, fines, sales, and services	323,329	242,743	253,857	238,344	242,280	230,917	198,737
Departmental restricted revenue	125,883	110,059	105,181	113,589	107,407	78,126	79,840
Federal grants	1,936,610	1,869,336	1,962,375	1,884,104	1,847,200	1,597,545	1,487,126
Income from investments	31,522	36,068	24,941	13,770	10,310	7,808	9,632
Net increase in the fair value of investments							182
Other revenues	96,401	84,664	79,162	80,872	93,051	123,637	60,688
Total operating revenues	5,331,830	5,191,154	5,218,477	5,018,161	4,778,126	4,368,109	4,018,161
Expenditures:							
Current:							
General government	803,561	806,865	515,677	512,896	461,741	445,497	428,884
Human services	2,727,534	2,512,286	2,616,608	2,506,929	2,409,774	2,232,252	2,103,198
Education	1,289,687	1,267,255	284,294	265,001	72,838	101,270	92,035
Public safety	410,605	396,029	361,647	328,839	311,701	297,070	288,363
Natural resources	72,984	81,518	71,539	64,138	59,678	53,207	64,568
Transportation	244,638	310,019	247,248	209,470	161,974	143,635	122,208
Capital outlays	264,713	269,550	300,404	241,306	200,880	195,611	203,729
Intergovernmental			1,213,050	1,127,496	1,047,537	947,791	896,513
Grants					6,145		287
Debt service:							
Principal	143,368	115,752	117,663	116,322	75,892	58,161	91,576
Interest and other charges	131,575	128,527	105,264	110,243	107,720	100,628	74,084
Total operating expenditures	6,088,665	5,887,801	5,833,394	5,482,640	4,915,880	4,575,122	4,365,445
Excess (deficiency) of revenues over (under) expenditures	(756,835)	(696,647)	(614,917)	(464,479)	(137,754)	(207,013)	(347,284)
Other financing sources (uses):							
Bonds and notes issued	131,755	314,852	320,820	87,095	415,435	139,905	175,205
Refunding bonds issued	46,570	74,835		117,010			
Proceeds from the sale of Certificates of Participation	59,185	45,325	6,000	139,410		3,890	
Premium and accrued interest	7,241	9,930	16,298	17,602	30,097	10,881	6,115
Operating transfers in	724,428	828,885	593,902	537,618	513,356	625,085	569,602
Payments from component units	39,284	10,108	14,715	18,503	15,568	18,770	26,721
Other	26,322	18,435	28,313	35,083	25,391	8,990	83,142
Payment to refunded bonds escrow agent	(111,253)	(78,198)		(123,300)	(72,160)	(85,358)	(335,539)
Discount on issuance of debt	(4)						
Operating transfers out	(403,012)	(522,631)	(280,176)	(242,515)	(245,246)	(388,351)	(360,543)
Operating transfers out to component units					(293,236)	(291,208)	(402,509)
Total other financing sources (uses)	520,516	701,541	699,872	586,506	389,205	42,604	(237,806)
Special items						1,510	544,238
Extraordinary items							
Net change in fund balances	$ (236,319)	$ 4,894	$ 84,955	$ 122,027	$ 251,451	$ (162,899)	$ (40,852)
Debt Service as a Percentage of Noncapital Expenditures	5.0%	4.5%	4.2%	4.5%	4.1%	3.8%	4.1%

State of Rhode Island and Providence Plantations
Schedule of Taxable Sales by Industry
Prior Ten Calendar Years
(expressed in millions)

Taxable Sales By Industry	Calendar Year 2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
* Grocery, Food Stores, Delis, Bakeries	$ 1,073.75	$ 1,052.45	$ 1,065.10	$ 879.14	$ 818.60	$ 708.51	$ 710.82	$ 679.48	$ 471.14	$ 535.56
** Restaurants and Bars	1,912.54	1,803.19	1,651.39	1,616.72	1,425.54	1,363.23	1,251.22	1,181.70	1,067.59	952.75
Room Rentals - Motels, Hotels	574.25	450.46	412.93	345.85	280.21	311.45	331.33	319.21	275.71	222.65
Utilities - Telephone, Electric, Gas, Water	636.72	668.28	549.40	582.11	570.53	553.80	788.43	759.32	590.38	620.36
Total	$ 4,197.26	$ 3,974.38	$ 3,678.82	$ 3,423.82	$ 3,094.89	$ 2,936.99	$ 3,081.79	$ 2,939.71	$ 2,404.82	$ 2,331.32
Direct sales tax rate	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%

Data is presented only for taxable sales of industries tracked by the Division of Taxation.

Source: *Division of Taxation*

* **Note**: reflects adjusted figures for 2005
****Note**: Data is presented using new criteria (meal & beverage tax) beginning 2006

State of Rhode Island and Providence Plantations
Schedule of Personal Income by Industry
Prior Ten Calendar Years
(expressed in millions)

	Calendar Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Farm Earnings	$ 15	$ 18	$ 21	$ 20	$ 18	$ 17	$ 15	$ 16	$ 16	$ 16
Forestry, Fishing and Other	49	54	49	53	51	51	8	126	116	108
Mining	29	27	24	19	18	15	1	13	14	12
Construction	1,675	1,708	1,591	1,488	1,423	1,123	1,215	1,142	1,072	921
Manufacturing	2,425	3,358	3,310	3,264	3,171	3,222	3,326	3,486	3,455	3,441
Wholesale Trade	1,385	1,295	1,238	1,136	1,093	1,044	998	1,155	1,003	923
Retail Trade	1,827	1,781	1,736	1,733	1,682	1,597	1,482	2,107	1,859	1,712
Transportation and Warehousing	497	481	447	446	436	838	765	1,134	1,019	1,013
Utilities (a)	286	288	276	273	276	N/A	N/A	N/A	N/A	N/A
Information	881	938	958	887	799	772	776	N/A	N/A	N/A
Finance, Insurance and Real Estate	2,217	2,067	2,029	2,508	2,339	2,162	2,090	1,820	1,658	1,534
Services	9,974	10,851	9,945	9,409	8,854	8,206	7,746	6,466	6,092	5,836
Federal/Civilian	1,058	962	952	936	864	849	798	776	715	702
Military	535	497	508	485	473	431	401	385	359	342
State and Local	3,609	3,478	3,434	3,228	3,089	2,922	2,755	2,645	2,448	2,312
Total Personal Income	$ 26,462	$ 27,803	$ 26,518	$ 25,885	$ 24,586	$ 23,249	$ 22,376	$ 21,271	$ 19,826	$ 18,872
Average Effective Rate	2.600%	2.556%	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%

N/A=not available

***Sources**: US Bureau of Economic Analysis*

(a) prior to 2003 was included with Transportation

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years
(expressed in millions)

	Calendar Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Personal Income Tax Revenue	$ 1,065	$ 996	$ 979	$ 870	$ 813	$ 808	$ 914	$ 817	$ 758	$ 723
Personal Income	40,965	38,972	37,318	35,817	34,239	33,000	31,747	29,639	28,020	26,695
Average Effective Rate	2.600%	2.556%	2.623%	2.429%	2.374%	2.448%	2.879%	2.757%	2.705%	2.708%

Sourcw:http://www.bea.gov/regional/sqpi/drill.cfm

(continued)

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2007						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 31,850	$ 31,850 - 77,100	$ 77,100 - 160,850	$ 160,850 - 349,700	over $ 349,700
Married Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 53,150	$ 53,150 - 128,500	$ 128,500 - 195,850	$ 195,850 - 349,700	over $ 349,700
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 26,575	$ 26,575 - 64,250	$ 64,250 - 97,925	$ 97,925 - 174,850	over $ 174,850
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 42,650	$ 42,650 - 110,100	$ 110,100 - 178,350	$ 178,350 - 349,700	over $ 349,700
Tax Year 2006						
Single Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 30,650	$ 30,650 - 74,200	$ 74,200 - 154,800	$ 154,800 - 336,550	over $ 336,550
Married Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 51,200	$ 51,200 - 123,700	$ 123,700 - 188,450	$ 188,450 - 336,550	over $ 336,550
Married Filing Separate Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 25,600	$ 25,600 - 61,850	$ 61,850 - 94,225	$ 94,225 - 168,275	over $ 168,275
Head of Household Filing Status	Tax Rate	3.75%	7.00%	7.75%	9.00%	9.90%
	Income Bracket	$ 0 - 41,050	$ 41,050 - 106,000	$ 106,000 - 171,650	$ 171,650 - 336,550	over $ 336,550
Tax Year 2005						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 29,700	$ 29,700 - 71,950	$ 71,950 - 150,150	$ 150,150 -326,450	over $ 326,450
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 49,650	$ 49,650 - 119,950	$ 119,950 - 182,800	$ 182,800 - 326,450	over $ 326,450
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 24,825	$ 24,825 - 59,975	$ 59,975 - 91,400	$ 91,400 - 163,225	over $ 163,225
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 39,800	$ 39,800 - 102,800	$ 102,800 - 166,450	$ 166,450 - 326,450	over $ 326,450
Tax Year 2004						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 29,050	$ 29,050 - 70,350	$ 70,350 - 146,750	$ 146,750 - 319,100	over $ 319,100
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 48,500	$ 48,500 - 117,250	$ 117,250 - 178,650	$ 178,650 - 319,100	over $ 319,100
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 24,250	$ 24,250 - 58,625	$ 58,625 - 89,325	$ 89,325 - 159,550	over $ 159,550
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 38,900	$ 38,900 - 100,500	$ 100,500 - 162,700	$ 162,700 - 319,100	over $ 319,100
Tax Year 2003						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 28,400	$ 28,400 - 68,800	$ 68,800 - 143,500	$ 143,500 - 311,950	over $ 311,950
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 47,450	$ 47,450 - 114,650	$ 114,650 - 174,700	$ 174,700 - 311,950	over $ 311,950
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 -23,725	$ 23,725 - 57,325	$ 57,325 - 87,350	$ 87,350 - 155,975	over $ 155,975
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 38,050	$ 38,050 - 98,250	$ 98,250 - 159,100	$ 159,100 - 311,950	over $ 311,950

(continued)

State of Rhode Island and Providence Plantations
Schedule of Personal Income Tax Rate
Prior Ten Calendar Years

		Tax Rates on the Portion of Taxable Income in Ranges				
Tax Year 2002						
Single Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 27,950	$ 27,950 - 67,700	$ 67,700 - 141,250	$ 141,250 - 307,050	over $ 307,050
Married Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 46,700	$ 46,700 - 112,850	$ 112,850 - 171,950	$ 171,950 - 307,050	over $ 307,050
Married Filing Separate Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 23,350	$ 23,350 - 56,425	$ 56,425 - 85,975	$ 85,975 - 153,525	over $ 153,525
Head of Household Filing Status	Tax Rate	3.750%	7.000%	7.750%	9.000%	9.900%
	Income Bracket	$ 0 - 37,450	$ 37,450 - 96,700	$ 96,700 - 156,600	$ 156,600 - 307,050	over $ 307,050
Tax Year 2001						
Single Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	$ 0 - 27,050	$ 27,050 - 65,550	$ 65,550 - 136,750	$ 136,750 - 297,350	over $ 297,350
Married Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	$ 0 - 45,200	$ 45,200 - 109,250	$ 109,250 - 166,500	$ 166,500 - 297,350	over $ 297,350
Married Filing Separate Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	$ 0 - 22,600	$ 22,600 - 54,625	$ 54,625 - 83,250	$ 83,250 - 148,675	over $ 148,675
Head of Household Filing Status	Tax Rate	3.825%	7.140%	7.905%	9.180%	10.098%
	Income Bracket	$ 0 - 36,250	$ 36,250 - 93,650	$ 93,650 - 151,650	$ 151,650 - 297,350	over $ 297,350
Tax Year 2000						
Percentage of Federal Tax Liability	Tax Rate	26.000%				
Tax Year 1999						
Percentage of Federal Tax Liability	Tax Rate	26.500%				
Tax Year 1998						
Percentage of Federal Tax Liability	Tax Rate	27.000%				

(concluded)

Source : *RI 1040 Instructions*

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2002 through 2006

Tax Year 2006

Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$0 - $25,000	186,777	39.29%	$ 24,824,956	2.41%
$25,001 - $50,000	117,943	24.81%	95,815,612	9.30%
$50,001 - $75,000	68,647	14.44%	115,882,393	11.25%
$75,001 - $100,000	42,285	8.90%	112,897,362	10.96%
$100,001 - $200,000	46,714	9.83%	242,469,428	23.54%
$200,001 - $500,000	10,339	2.17%	163,620,232	15.89%
$500,001 - $1,000,000	1,735	0.36%	77,989,258	7.57%
$1,000,001 and greater	917	0.19%	196,446,444	19.07%
	475,357	100.00%	$ 1,029,945,685	100.00%

Tax Year 2005

Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$0 - $25,000	191,229	40.42%	$ 26,586,050	2.73%
$25,001 - $50,000	117,944	24.93%	97,782,614	10.05%
$50,001 - $75,000	68,732	14.53%	117,073,474	12.03%
$75,001 - $100,000	40,758	8.62%	111,028,948	11.41%
$100,001 - $200,000	42,311	8.94%	222,774,255	22.89%
$200,001 - $500,000	9,644	2.04%	157,005,466	16.13%
$500,001 - $1,000,000	1,655	0.35%	76,436,571	7.85%
$1,000,001 and greater	828	0.18%	164,689,396	16.92%
	473,101	100.00%	$ 973,376,774	100.00%

Tax Year 2004

Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$0 - $25,000	189,685	40.74%	$ 27,587,679	2.95%
$25,001 - $50,000	117,704	25.28%	99,789,134	10.66%
$50,001 - $75,000	68,652	14.74%	119,176,017	12.73%
$75,001 - $100,000	39,892	8.57%	111,753,322	11.94%
$100,001 - $200,000	39,187	8.42%	211,965,822	22.64%
$200,001 - $500,000	8,440	1.81%	140,618,508	15.02%
$500,001 - $1,000,000	1,397	0.30%	66,373,763	7.09%
$1,000,001 and greater	695	0.15%	158,789,344	16.96%
	465,652	100.00%	$ 936,053,589	100.00%

State of Rhode Island and Providence Plantations
Schedule of Resident Personal Income Tax Filers & Liability by AGI
Tax Years 2002 through 2006

Tax Year 2003

Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$0 - $25,000	194,616	41.68%	$ 29,266,575	3.46%
$25,001 - $50,000	120,459	25.80%	103,175,468	12.21%
$50,001 - $75,000	68,669	14.71%	119,334,886	14.13%
$75,001 - $100,000	38,272	8.20%	107,970,871	12.78%
$100,001 - $200,000	35,845	7.68%	194,686,587	23.05%
$200,001 - $500,000	7,390	1.58%	125,658,653	14.88%
$500,001 - $1,000,000	1,169	0.25%	55,571,047	6.58%
$1,000,001 and greater	543	0.12%	109,019,775	12.91%
	466,963	100.00%	$ 844,683,862	100.00%

Tax Year 2002

Federal AGI	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$0 - $25,000	197,924	42.46%	$ 30,737,043	3.91%
$25,001 - $50,000	121,230	26.00%	104,320,424	13.26%
$50,001 - $75,000	68,890	14.78%	119,366,749	15.18%
$75,001 - $100,000	36,922	7.92%	104,446,957	13.28%
$100,001 - $200,000	32,939	7.07%	178,332,249	22.67%
$200,001 - $500,000	6,811	1.46%	115,339,811	14.66%
$500,001 - $1,000,000	1,012	0.22%	49,436,218	6.29%
$1,000,001 and greater	463	0.10%	84,591,452	10.75%
	466,191	100.00%	$ 786,570,903	100.00%

Source: *Division of Taxation*

State of Rhode Island and Providence Plantations
Schedule of Ratios to Outstanding Debt by Type
Last Ten Fiscal Years
(expressed in thousands)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental Activities										
General obligation bonds	$ 916,531	$ 848,666	$ 810,485	$ 770,070	$ 728,644	$ 687,455	$ 888,014	$ 917,404	$ 824,646	$ 802,352
Revenue bonds (blended component units) (b)	902,871	729,695	749,445	766,410	786,095	818,495	147,385	161,210	174,315	188,420
Capital leases (c)	256,865	226,755	232,464	102,885	113,446	116,929	442,275	424,943	426,530	436,525
Special purpose bonds (a)	390,110	418,300	228,305	264,210						
Total governmental activities	2,466,377	2,223,416	2,020,699	1,903,575	1,628,185	1,622,879	1,477,674	1,503,557	1,425,491	1,427,297
Business-type Activities										
Revenue bonds (d)	279,935	287,185	202,855	302,320	310,005	319,435				
Bonds Payable (d)				153	153	1,153				
Total business-type activities	279,935	287,185	202,855	302,473	310,158	320,588				
Total primary Government	$ 2,746,312	$ 2,510,601	$ 2,223,554	$ 2,206,048	$ 1,938,343	$ 1,943,467	$ 1,477,674	$ 1,503,557	$ 1,425,491	$ 1,427,297
Debt as a Percentage of Personal Income	6.2%	6.3%	5.9%	6.0%	5.7%	5.9%	4.6%	4.9%	4.9%	5.2%
Amount of Debt Per Capita	$ 2	$ 2	$ 2	$ 2	$ 2	$ 2	$ 1	$ 1	$ 1	$ 1

Source: *Financials/notes*

(a) Special purpose bonds were sold in 2004

(b) Tobacco Settlement revenue bonds were issued in 2002

(c) Includes RICCA prior to 2002

(d) Prior to 2002 RICCA was a discretely presented component unit

State of Rhode Island and Providence Plantations
Schedule of Pledged Revenue Coverage
Last Ten Years
(expressed in thousands)

	Current Debt Service as Reported in the Prior Year Financial Statements									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenue Bonds-Refunding Bond Authority										
Revenue -lease and rental payments (a)	$ 31	$ 37	$ 34	$ 30	$ 2,919	$ 7,184	$ 8,474	$ 9,178	$ 9,074	$ 9,596
Less: operating expenses	31	37	34	31	2,921	8,219	8,123	8,217	9,940	10,539
Net available revenue	$	$	$	$ (1)	$ (2)	$ (1,035)	$ 351	$ 961	$ (866)	$ (943)
Debt service										
Principal	$ 18,475	$ 17,610	$ 14,295	$ 10,115	$ 15,975	$ 15,115	$ 14,280	$ 13,825	$ 13,105	$ 14,105
Interest	1,742	2,785	3,562	3,981	4,415	6,838	7,545	8,221	9,952	9,164
Coverage (b)				-0.01%	-0.01%	-4.71%	1.61%	4.36%	-3.76%	-4.05%
Revenue Bonds-Tobacco Settlement Finance Corporation										
Revenue - Tobacco Settlement Revenue	$ 53,247	$ 44,025	$ 41,546	$ 45,831	$ 45,644	$ 52,749	$	$	$	$
Less: operating expenses	33	54	40	65	80	32				
Net available revenue	$ 53,214	$ 43,971	$ 41,506	$ 45,766	$ 45,564	$ 52,717	$	$	$	$
Debt service										
Principal	$ 16,620	$	$	$	$	$	$	$	$	$
Interest	40,918	41,287	41,609	42,015	42,234					
Coverage (b)	92.48%	106.50%	99.75%	108.93%	107.88%					
Revenue Bonds-GARVEE (Federal Highway)										
Revenue - federal FHWA participation	$ 44,147	$ 44,182	$ 41,801	$ 41,809	$	$	$	$	$	$
Less: operating expenses (c)										
Net available revenue	$ 44,147	$ 44,182	$ 41,801	$ 41,809	$	$	$	$	$	$
Debt service										
Principal	$ 28,315	$ 24,560	$ 32,290	$ 30,755	$	$	$	$	$	$
Interest	15,895	19,650	9,517	11,054	6,141					
Coverage (b)	99.86%	99.94%	99.99%	100.00%						
Revenue Bonds-GARVEE (Gas Tax)										
Revenue - 2 cents per gallon of the gasoline tax	$ 9,028	$ 9,409	$ 9,496	$ 9,513	$ 9,499	$	$	$	$	$
Less: operating expenses (c)										
Net available revenue	$ 9,028	$ 9,409	$ 9,496	$ 9,513	$ 9,499	$	$	$	$	$
Debt service										
Principal	$ 3,730	$ 3,630	$ 5,150	$ 5,150	$ 5,625	$	$	$	$	$
Interest	3,241	3,335	2,105	1,653	981					
Coverage (b)	129.51%	135.09%	130.89%	139.84%	143.79%					

(a) The debt service is supported by lease payments from the State equal to the annual debt service, plus adminstration costs. Since it is blended component unit, the revenue is not reported in the fund financial statements.
(b) Coverage equals net available revenue divided by debt servic
(c) All expenditures are made out of the proceeds of the bond sales

State of Rhode Island and Providence Plantations
Schedule of Personal Income and Per Capita Personal Income
Prior Ten Calendar Years

	Personal Income (*in billions*)				Per Capita Personal Income (in dollars)			
	United States		Rhode Island		United States		Rhode Island	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
2007	$ 11,645.9	6.2%	41.7	4.6%	$ 38,611	4.9%	$ 39,463	4.9%
2006	10,968.4	7.3%	39.8	4.8%	36,714	6.0%	37,523	6.1%
2005	10,224.8	5.4%	37.9	2.7%	34,495	4.4%	35,219	3.0%
2004	9,702.5	5.5%	36.9	8.5%	33,041	4.5%	34,180	7.1%
2003	9,199.0	3.4%	34.0	3.0%	31,632	2.3%	31,916	3.4%
2002	8,900.0	2.6%	33.0	2.8%	30,906	1.6%	30,859	2.0%
2001	8,677.5	4.4%	32.1	4.9%	30,413	3.3%	30,256	3.8%
2000	8,312.3	6.8%	30.6	5.2%	29,451	3.2%	29,158	-0.7%
1999	7,783.1	5.4%	29.1	5.1%	28,542	4.5%	29,377	4.9%
1998	7,383.7	6.6%	27.7	9.1%	27,322	5.6%	28,012	5.2%

State of Rhode Island and Providence Plantations
Schedule of Economic Indicators
Prior Ten Calendar Years

	Civilian Labor Force (*in thousands*)		Unemployment Rate		Home Sales	
	Number in Labor Force	Percent Change	Rate	Percent Change	Number of Sales	Percent Change
2007	581	0.0%	4.6%	0.0%	n/a	
2006	581	2.1%	4.6%	-8.0%	17,600	-11.1%
2005	569	1.2%	5.0%	-3.8%	19,700	2.6%
2004	562	-1.9%	5.2%	-3.7%	19,200	-5.0%
2003	573	3.1%	5.4%	5.9%	20,200	2.5%
2002	556	10.3%	5.1%	8.5%	19,700	-9.2%
2001	504	-0.2%	4.7%	14.6%	21,700	11.3%
2000	505	0.2%	4.1%	0.0%	19,500	-5.8%
1999	504	1.2%	4.1%	-16.3%	20,700	22.5%
1998	498	-1.4%	4.9%	-7.5%	16,900	17.4%
1997	505	1.8%	5.3%	3.9%	14,400	21.0%

Sources: *US Department of Commerce, Bureau of Economic Analysis. US Department of Labor. Federal Reserve Bank of Boston. Rhode Island Economic Development Corporation.*

State of Rhode Island and Providence Plantations
Principal Employers
Curent Year and Nine Years Ago

2007			1998		
Rank	**Employer**	**Employed**	**Rank**	**Employer**	**Employed**
1	Lifespan	11,694	1	Lifespan	10,302
2	Care New England	6,561	2	Care New England	4,791
3	CVS Corporation	5,780	4	CVS Corporation	3,623
4	Citizen's Financial Group (Royal Bank of Scotland)	5,500	7	Citizen's Financial Group (Royal Bank of Scotland)	2,868
5	Bank of America	4,500	6	Fleet Financial Group, Inc (Bank of America)	2,872
6	Brown University	4,443	5	Brown University	3,355
7	Stop & Shop Supermarket Co	4,385	3	Stop & Shop Supermarket Co	3,880
8	Fidelity Investments	2,200			
9	General Dynamics Corp	2,143			
10	The Jan Company	2,115			
			8	Metropolitan Life Insurance Company	2,200
			9	BankBoston Corporation	2,160
			10	St. Joseph Health Services of RI	1,969

Source: *Rhode Island Economic Development Corporation.*
Some employers are not listed because they did not wish to participate.

State of Rhode Island and Providence Plantations
Full Time State Employees by Function
Last Ten Fiscal Years

	Full Time State Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Full-time Employees										
General Government	2,508	2,479	2,480	2,531	2,528	2,639	2,784	2,553	2,576	2,848
Human Service	3,671	4,144	4,370	4,176	4,269	4,425	4,571	4,600	4,594	4,572
Education	365	373	373	364	364	368	383	380	378	383
Public Safety	2,865	2,952	2,939	2,953	2,851	2,866	2,929	3,077	3,160	3,043
Natural Resources	905	978	1,015	963	957	928	990	944	946	918
Transportation	719	767	828	813	826	861	890	884	890	859
State Total	11,033	11,693	12,005	11,800	11,795	12,087	12,547	12,438	12,544	12,623

Source: *Department of Administration*

State of Rhode Island and Providence Plantations
Schedule of Operating Indicators by Function
Prior Ten Fiscal Years

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Government										
Division of Taxation										
Dollars received electronically (expressed in thousands)	$2,047,671	$1,920,770	$1,810,045	$1,672,875	$1,523,094	$1,386,651	$1,299,485	$1,099,262	$925,401	$842,433
Number of business transactions electronically	767,971	719,800	661,209	622,115	548,073	520,643	477,523	410,225	371,154	309,755
Personal Income Tax returns filed electronically -Tax Year	289,346	246,230	217,524	185,154	128,763	92,721	59,024	48,581	35,451	25,815
Department of Labor and Training										
Labor force total (in thousands)	577	575	565	533	538	528	521	521	519	510
Unemployment rate (percentage)	5.0	5.1	5.1	5.2	5.4	5.1	4.5	4.2	4.2	4.6
Human Services										
Department of Children, Youth and Families										
Average number of foster children	2,436	2,517	2,346	2,331	2,227	2,210	2,192	2,230	2,230	2,274
Department of Human Services										
FIP(AFDC) recipients expenditures (state share in millions)	$7.7	$13.3	$14.8	$19.0	$14.0	$17.8	$18.8	$38.5	$39.1	$40.6
Health Department										
Diagnosed AIDS cases	69	89	105	139	98	99	99	88	96	121
Number of births (in thousands)	14	13	13	14	14	14	13	13	13	13
Education										
Enrollment	41,503	40,374	40,008	39,920	39,937	38,867	39,149	38,458	38,650	38,368
Number of certificates and degrees awarded	5,518	5,418	5,404	5,567	5,330	5,453	5,240	5,142	5,309	5,356
Public Safety										
Department of Corrections										
Incarcerated offenders (male)	3,542	3,518	3,175	3,354	3,329	3,179	3,133	2,992	3,165	3,180
Incarcerated offenders (female)	231	242	186	200	208	208	215	212	219	214
Natural Resources										
Department of Environmental Management										
Hatchery fish raised and restocked (approx.in thousands)	140	140	140	140	140	140	140	130	130	130
Park visitations (in thousands)	5,928	6,135	6,010	5,861	5,976	7,499	6,990	6,399	n/a	n/a
Recreational registrations (boats)	44,000	41,933	41,366	42,759	41,696	41,024	40,432	35,614	35,133	33,602
Transportation										
Department of Transportation										
Vehicle miles traveled (in millions)	8,679	8,300	8,299	8,472	8,365	8,142	7,991	8,359	8,283	7,983

State of Rhode Island and Providence Plantations
Schedule of Capital Assets Statistics by Function
Last Seven Fiscal Years

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Government							
Buildings	15	15	17	17	17	17	17
Vehicles	263	238	104	95	88	n/a	n/a
Human Services							
Buildings	199	198	197	197	197	195	195
Vehicles	360	353	335	320	326	n/a	n/a
Education							
Buildings	12	12	13	13	13	12	12
Vehicles	20	19	23	26	31	n/a	n/a
Public Safety							
Buildings	52	53	54	54	54	54	54
Vehicles	644	580	604	586	574	n/a	n/a
Natural Resources							
Buildings	44	44	43	41	37	36	33
Vehicles	414	417	431	398	412	n/a	n/a
Number of state parks, beaches, bike paths	21	21	21	21	21	21	21
Area of state parks, beaches (acres)	13,289	13,289	13,289	13,289	13,289	13,289	13,289
Transportation							
Building	19	19	23	22	21	21	21
Vehicles	635	708	676	733	742	n/a	n/a
Miles of state highway	1,100	1,100	1,100	1,100	1,100	1,100	1,100